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World news

Singapore Union charges Malaysian loses leader

The Singapore Government charged Tan Koon Swan, the Mal-sysian Chinese businessman and political leader, with six criminal Government UNION CARBIDE, US chemicals offences relating to share pur-chases in his companies by Pan-Electric Industries and Growth Industrial Holdings, two Singapore-based groups which have since failed.

The action throws the political scene in neighbouring Malaysia in-to confusion, reinforces the uncertainty hanging over the two countries' stock markets and diminishes survival hopes for the two compa-

In Kuala Lumpur, 300 members of the Malaysian Chinese Association, which is the country's main Chinese party and is headed by Tan, staged a demonstration out-side the Singapore High Commission. Page 2

Delhi fire kills 38

A fire which swept through a luxury New Delhi hotel killed 38 people, including at least 22 foreigners, and injured 80. Page 3

French rail plan

France's state-owned railway outlined a 10-year plan to improve safety after three accidents last summer killed 83 people.

Emergency extended

Sri Lanka's Parliament extended a state of emergency for another month amid reports of more clashes between troops and Tamil guerrillas fighting for a separate state.

Italian flats blast At least five people died when an

explosion ripped through an apart-ment building on the edge of the city of Modena in northern Italy.

Peres progress

side claimed that half the obstacles preventing direct negotiations with King Hussein of Jordan had been overcome. Page 16

N Ireland elections

Northern Ireland voted in elections that were forced oo the Britishruled province by its Protestant majority to show their opposition to links with Dublin.

SA tribal clash

At least 30 people were killed during a tribal clash between Zulus and Pondos in Umbogentweni near the Indian Ocean port of Durban.

Marcos trial threat

Philippines presidential candidate Corazon Aquino plans to put President Ferdinand Marcos on trial if she wins next month's election.

EEC famine ald The European Commission is to give Ecu 19.5m (\$17.1m) emergency food aid for 10m famine victims in

Beigrade in IMF talks

Yugoslavia and the International Monetary Fund began discussions which may hold the key to further embattled economy. Page 2

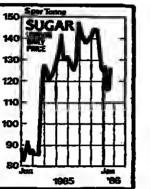
Bolivian strike

Bolivian workers held a general strike against the Government's economic policies, only hours after President Victor Paz Estenssoro swore in a new Cabinet committed to controlling inflation.

Business summary

Carbide \$582m

group facing multi-billion dollar lawsuits after the Bhopal, India toxic gas disaster reported a net loss for 1985 of \$582m or \$8.35 a share. The company said it took a \$185m pre-tax charge against 1985 earn-ings to cover *certain litigation contingencies" including the Bhopal accident Page 17



SUGAR prices stayed firm in London, and India returned to the market as a buyer. Analyst F.O. Licht predicted a reduced world produc-tion for 1985-86. The London daily price was fixed at \$126 a tonne, up

WALL STREET: The Dow Jones industrial average closed up 8.95 at 1,511.24 Page 42

TOKYO: The prospects of lower US growth left investors reluciant. The Nikkei average fell back 34.38 to close at 12,888.94. Page 42

LONDON: Firmer international stocks belped offset the effects of the tumbling oil price. The FT Ordi-nary index closed 3.2 down at 1,120.4, and the FT-SE 100 ended 8.1 lower at 1,382.8. Page 42

DOLLAR was on the whole firmer in London, closing at DM 24525 (DM 24475) FFr 7.52 (FFr 7.5125) and Y202.0 (Y201.55). It was slightly easier at SFr 2.0745 (SFr 2.076). The dollar's exchange rate index closed at 1258 from 1253. Page 35

10.4125 (FFr 10.475) and Y279.5 the day. (Y281.05). The pound's exchange-rate index fell to 74.3 from 75.3.

GOLD was unchanged on the Loudon bullion market at \$350.50 but fell \$3.10 in Zurich to \$350.75. In New York the Comez February settlement was \$351.90. Page 34

CHINA and the Soviet Union signed a goods exchange pact, covering such products as steel, cereals, meat, cars, timber and aircraft, in the first stage of a five-year trade agreement worth \$14bn.

DELTA AIR, the sixth largest US airline, suffered a blow to secondquarter profits partly as a result of the industry discount fares war.

DRESDNER BANK'S Luxembourg subsidiary boosted operating profit to DM 280m (\$114m) but set all of it aside for provision against international debt. Page 17

AMERICAN EXPRESS, the US financial services group, posted a 61 per cent jump in fourth-quarter profit and reported record earnings by all its major units. Page 17

TIN CRISIS: First signs of progress for several weeks in efforts to resolve the crisis emerged at an Inter-national Tin Council meeting.

BELL CANADA Enterprises, the di-versified Canadian holding group, plans to raise up to C\$200m (\$142.8m) with an equity offering in

AMOCO, the fifth largest US oil company, suffered a 16 per cent drop in fourth-quarter net income to \$390m as lower oil prices took their toll of the groups operations.

Thatcher faces growing crisis of confidence

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MRS MARGARET THATCHER Mr Brittan and his officials in apand her Conservative Government faced a growing crisis of confidence last night after the British Prime Minister failed in a statement to the House of Commons to check the widespread perliamentary criticism of her handling of the Westland

It was clear last night after a meeting of the 1922 Committee of backbench Conservative MPs that many of them remained deeply unhappy about the Government's

approach.
Although there was an attempt last night to rally backbenchers be-hind Mrs Thatcher berself, there was renewed criticism of the role of Mr Leon Brittan, the Trade and Industry Secretary, with fresh calls by several senior MPs for his resignation. His future is therefore in growing doubt. The pressure on the Government

will be maintained next week. Mr Neil Kinnock, leader of the opposition Labour Party, successfully urged that a three-hour emergency debate be held on Monday. During 50 minutes of tense and noisy exchanges in the House of Commons yesterday, Mrs Thatcher

proving the partial disclosure of a controversial letter on January 6 without the knowledge or consent of the author, Sir Patrick Mayhew, the Solicitor General. The letter was seen as highly da-

maging to the campaign of Mr Mi-chael Heseltine, the then Defence Secretary, in support of the European consortium which was seek-ing to rescue Westland in competition with Sikorsky/Fiat. It said that a letter Mr Heseltine had written to the consortium and made public contained material inaccuracies." Mr Heseltine subsequently re-signed from the Cabinet.

Mrs Thatcher said she had not been consulted about the decision to disclose the letter but said the action was justified in view of the need for the information in the letter rapidly to come into the public

actions of her staff only on Wednes-Street on January 6, 16 days earlier cause of a press confe at the same time as separate discusadmitted that her own Downing sions involving her staff took place Street staff had been involved with with the Department of Trade and

letter.
Mr Kinnock said last night that the claim that Mrs Thatcher did not live day of heavy losses for the know what had happened until the pound. inquiry reported on Wednesday was lacking in credibility. In the Com-mons, he argued that Mrs Thatcher had tried "dishonestly and covertly to subvert" Mr Heseltine and said

Industry about the disclosure of th

the Government was rotten to the Mrs Thatcher for the first time

staked her personal authority over the affair in giving what she re-peatedly told MPs was as full an account as (she) possibly could.*
But she faced strong opposition criticism, as well as several loud calls for her resignation, and a

mixed reception from her own side.

Mrs Thatcher's general case is that the public disclosure of the letin financial markets, the Bank of ter became necessary because of Mr Heseltine's campaigning on behalf of the European consortium. It later became known that Mrs She said that it was a matter of du-Thatcher was fully informed of the ty that it should be made known that Sir Patrick had reservations day evening even though she had about Mr Heseltine's earlier letter been at a meeting in Downing and this had to happen urgently bepolicy by re-affirming that interest-

Full statement and reaction Page 16; Editorial con

Westland share battle as Sikorsky buys 6.7%

BY LIONEL BARBER IN LONDON

ter manufacturer. The share purchases made late

Israeli Prime Minister Shimon
Peres held further talks in London
with US assistant Secretary of
State Richard Murphy. The Israeli
34125, SFr 2.8725 (SFr 2.895), FFr
Westland shares yesterday as
the rival European aerospace consortium attempted to buy stock.

34125, SFr 2.8725 (SFr 2.895), FFr
Westland closed at 125p, up 25p on Sikorsky's buying marks the first

time that the US helicopter maker has entered the market for Westland shares. It paid around 150p. more than 50 per cent above the prevailing market price, for a 4.4 per cent stake held by Prudential Corporation and a 2.3 per cent stake held by Prolific Unit Trusts, part of the Provincial Insurance Group. Lloyds Merchant Bank, advising

the European consortium, has also bought Westland shares, picking up just under 2 per cent from institutions at around 130p. In addition, a mystery buyer was said to have moved into the market yesterday,

SIKORSKY, the US helicopter buying a 1.5 per cent stake at 152p. Prolific supported the Sikorsky/Fi-naker partnering Flat of Italy in a It was unclear last night whether at proposal, but on Wednesday they sescue plan for Westland, is under-the buyer was in favour of the Si-were bid again for their shares apmaker partnering Fiat of Italy in a It was unclear last night whether rescue plan for Westland, is underthe buyer was in favour of the Sistood to have bought a 6.7 per cent korsky resone or the rival European stake in the ailing British helicopolier.

on Wednesday led to frenetic activi- land board announces a revised Sikorsky, using Westland's brokers, Sikorsky/Fiat rescue plan. Final details were ironed out at a Westland board meeting yesterday with its advisers Lazard Brothers, and the plan is expected to be announced early next week.

The new plan centres on a capital reconstruction for Westland which extraordinary general meeting. Market analysts said the re-

newed market activity was de-signed to prevent any chance of the Sikorsky/Fiat plan being defeated

ity from shareholders at an extraordinary general meeting in London. Both the Prudential and

parently by the European camp. Rather than risk losing this crucial The intense activity in Westland share block - and by implication shares comes just before the West-Rowe & Pilman's moved in. The outcome of a future vote by

shareholders on a new rescue plan cording to Mr David Horne, managing director of Lloyds merchant Bank, the European camp, includ-ing the consortium members Britwill require only 50 per cent majorish aerospace and GEC, Messer-ty support from shareholers at an schmitt Bolkow-Blohm of West Germany, Agusta of Italy, and Aérospatiale of France, and its supporter Mr Alan Bristow (15 per cent), the former belicopter operator, speaks for around 25 per cent. On his calculations, the Sikorsky/Flat camp, iny shareholders.

Last week, the Westland board der 25 per cent. Small shareholders failed to secure a 75 per cent major- could be decisive, Mr Horne said.

Lex, Page 16; Stock market report, Page 38

Stockholm wage hopes dashed

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

trade unions and employers would agree to negotiations on a low na-tional wage settlement spread over three years were dashed yesterday when the employers decided to in-sist on decentralised wage bargaining sector by sector.

Mr Stig Malm, leader of LO, the

blue-collar workers' union confederation, has already warned that a refusal by the employers to enter cen-tralised negotiations could lead to a wages free-for-all.
The leaders of LO's 24 member

unions have been called to emergency consultations today.
Mr Kjell-Olof Feldt, the Finance Minister, has spelled out the stark consequences that inflationary wage settlements would have for Sweden's competitive position, but signs are growing that the Government's economic policies could be seriously undermined by its inabili-

SWEDISH government hopes that rejected the government plea for a employment levels by a wage freeze

try's leading commercial banks, .SAF, the employers leave warned that Swedish industry's said yesterday that the wage demands already made by IO and rate both this year and next year as

PTK (the private sector white collar
a result of higher wage cost in
creases and a lower increase in prohad made it impossible to reach ductivity than in other countries.

It forecasts a jump in the wages of the average industrial worker of some 8.5 per cent, a similar increase to that achieved in 1985, and it forecasts a similar increase. it forecasts a similar increase of 8-9 per cent in the public sector. With growth forecast to slow to

about 1 per cent this year and virtually stagnating in 1987, Svenska Handelsbanken warms that unemployment could rise next year to its highest post-war level.

or another devaluation. "It is a question of choosing in the future In a gloomy set of economic fore-casts published yesterday, Svenska Handelsbenken, one of the coun-settlements or devaluation.

> quick agreement on a low wage ceiling through central negotiations.

LO demands for giving priority to low-income groups would clearly threaten employers' hopes for in-jecting greater flexibility into the Swedish wage structure. Insistence on sector by sector ne

gotiations has come in particular from the powerful engineering in-Sweden's competitiveness in for-eign markets could only be stren-Sweden's leading exporters such as gthened sufficiently to maintain Volvo.

costs. Both sides of industry have

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UK holds out against rise in interest rates

BY PHILIP STEPHENS, GEORGE GRAHAM AND DOMINIC LAWSON IN LONDON

THE BRITISH Government sought to hold out against an immediate rise in interest rates yesterday as a further slide in oil prices to six-year lows triggered the fourth consecu-

Interest rates oo the Londoo money markets, however, contin-ued to rise, sustaining the widespread expectation of an upward move in bank base rates within the next few days.

of March and April cargoes of the main North Sea crude reached a low of \$17 a barrel, after Sheikh Ahmed Zaki Yamani, the Saudi Arabian Oil Minister, had said there might be "no limitation to the downward (oil) price spiral." As the political row over Westland heightened the uncertainties

England injected some £450m (\$823m) into the money markets at rates consistent with the present 12% per cent base rates. Mrs Margaret Thatcher, the Prime Minister, responded to de-mands from the opposition Labour Party for a clarification of official

rate rises were unwelcome but that lower inflation remained the first Dr David Owen, the Social Demo-cratic Party leader, called on Mrs

A Treasury statement seekii Thatcher to make it clear that if interest rates rise, as many feer will

Whitehall officials were insisting that the Treasury would act if its inflation target was jeopardised, but there were signs that its reluctance to sanction higher borrowing costs also reflected the Government's poitical troubles.

Besides pushing up industry's costs, a rise in bank lending rates would almost certainly lead to an increase in building society home mortgage rates, which would feed through into higher retail price One senior Whitehall official said

inconceivable for the Government to have announced a rise in base rates before Mrs Thatcher had made her statement on the Westland affair to the House of The Treasury's inaction over the past few days has also raised ques-tions over whether there has been a

vesterday

shift in the exchange rate policy adopted by the Government last

In his budget speech last March, Mr Nigel Lawon, Chancellor of the Exchequer, made clear that the

Spot Oil Price Sterling

Government would react to sharp falls in the exchange rate, whatever

Recent events, however, suggest that he is prepared to tolerate at least some fall in sterling's value if it is entirely attributable to lower oil prices, which put downward pressure on inflation through cheaper petrol and reduced indus-Against that, the authorities ac-

knowledge that unless the pound stages a recovery, further resis-tance to higher base rates would risk undermining the confidence of financial markets in the Govern-A Treasury statement seeking to

calm the markets by downplaying the significance of North Sea oilput happen tomorrow, that this will be accompanied by a decision to join the European Monetary System."

happen tomorrow, that this will be accommanied by a decision to join pact yesterday as the foreign exchange markets reacted to Sheikh change markets reacted to Sheikh Yamani's comments. Mr Tony Blair, the Labour Party's Treasury spokesman, said that the statement had compounded un-

certainties in financial markets. City of London analysts said that the Government's decision not to equipment joint vecture. raise interest rates yesterday could mean an even greater rise would now be needed to reverse sterling's

The longer they wait, the bigger it will need to be to turn the curren- and Canada's Northern Telecom. cy round," Mr Gavyn Davies, chief Digital switches represent the lat-Coates, said yesterday. "Maybe they could have got away with 1½ older central exchange equipment percentage points on base rates and allowing telephone companies percentage points on base rates vesterday, but it could need 2 points to provide a host of add-on custom-

The pound fell I point during the day on the Bank of England's tradeweighted index, closing at 74.3. It has dropped by nearly 5 per cent so far this week. Sterling closed at \$1.3845, down a cent, and at DM 3.3950, down 1% pfennigs.

Lex, Page 16; Money markets, Page 35

ITT delays key US digital switch contract

By Paul Taylor in New York

ITT, the US-based multinational group, said yesterday that it had de-layed installation of the first com-mercial US order for its advanced System 12 digital telephone exchange switch by about a year be-cause of software difficulties and other delays adapting the equipment to North American standards

The delay raises serious ques-tions about whether ITT will miss a key opportunity to sell System 12 its flagship product developed over 10 years at a cost of Slbn - to the oow independent and digital-hungry 22 local Bell telephone

It also raises the prospect that FIT will be forced to withdraw or scale back its plans to grab a slice of the fiercely competitive digital switch race in the US in order to concentrate on sales in Europe and elsewhere. If ITT is forced to withdraw from the US battle, it would be a serious blow for the company and Mr Rand Araskog, ITT's chair-man, who had made adapting the switch to US standards one of his top priorities.

Wall Street has long viewed ITT's heavy investment in System 12 as a high-risk gamble and viewed adaption of the complex equipment to US standards as a key test of Mr Araskog's emphasis oo advanced research and development and anagement skills. The revelation that ITT has told

United Telephone of Florida that it can not now deliver System 12 later this year also comes at a time of significant realignment within the world digital switch manufacturing industry. Only last week GTE, the US telecommunications group, an-nounced plans for a joint venture with Siemens of West Germany for an advanced telecommunications GTE and Siemens are among a

raft of US, European and Japane companies competing for a slice of the incretive US digital switch market currently dominated by AT&T on & est generation of advanced telecommunications equipment replacing

The US market for such equipment is estimated to represent about a third of the total worldwide market and is potentially the most dynamic in the short-term because of the break-up of the Bell system FIT had hoped to parlay its suc-

Continued on Page 16 BT and Mitel, Page 28

e particularly fire A good bottom line's going to come top of to safeguard your interests.

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In fact, when it comes to any aspect of running a tanker fleet with 100% efficiency, you can trust us to get to the bottom of things. Literally.



operation we'll give you an attention to detail FOR MORE INCOMMENTAL CONTACT NAVIGE PROGRAM AT THE ON A 9-34 SECTION THE EXPLICIT TO HEM AT TANKER PRINTED SHAMES FAR A SHELL CHARLE LONDON SHATTO THE EXPLICIT

Court challenges to tax-sharing formula bring about strange alliances, reports Jonathan Carr

W. German states battle over revenue

Max Streibl, the normally mildspoken Finance Minister of Bavaria. He had heard some absurd proposals in his time, but this was the lim-

The cause of the outburst was an acid remark about Munich, the Bavarian capital, made by Mr Klaus von Dohnanyi, Lord Mayor of the city-state of Hamburg. He charged that Hamburg was pouring out so much cash to help other West Ger-man regions that Munich might do well to rename its most elegant street Hamburger Allee. Those are fighting words to any self-respect-ing citizen of the "free state" of

That exchange is just one ele-ment in a struggle over money which cuts across party lines, strains traditional alliances and is pursued with all the fervour of the European Community's budget battles. At issue is the Finanzausgleich, the system through which the financially stronger länder (fed-eral states) transfer sums to help out the weaker ones.

The aim, outlined in the constitu-tion, is to achieve a broad economic and social balance among the dif-ferent regions. The system worked pretty well for a long time, but now faces almost intolerable strains. The federal constitutional court, the highest in the land, has been hearing arguments this month from no less than six lander (out of 10) who think they are paying too much or

The system is complex, but in essence works like this: the tax revenue occurring to each individual state is compared with the average

BY JOHN DAVIES IN FRANKFURT

COUNT FERDINAND von Galen,

the once prominent West German

banker, told a court in Frankfurt

yesterday that be accepted moral

responsibility for "mistaken deci-

sions" by the bank of which be used

Count von Galen, former president of the Frankfurt Stock Ex-

change, appeared before the Hesse

state court (Landgericht) on charges of fraud and breach of

The case stems from the troubles

of Schröder, Münchmeyer, Hengst (SMH), the private bank which

heavily over-lent to IBH, the con-

SMH was saved from collapse in

November 1983 through a rescue

operation mounted by other banks.

and the healthy parts of the busi-

ness (and the name) were later sold

up by Mr Horst-Dieter Esch.

to be senior partner.

tions to this general rule. For example, special allowance is made for the city-states (Hamburg and Bremen) on the ground that they beve to pay relatively more for local transport, public order and so on than do the other states. Even so, Hamburg remains one of the three states paying into the Finanzaus-gleich and has the biggest per capi-

It was the state of North Rhine-Westphalio (NRW), followed at varying intervals by Baden-Wirttenheer Barry Wirttemberg, Bremen, Hesse, Hamburg and the Saarland, which began the trek to the constitutional court in mid-1983. At first sight this may seem odd, because, as the table shows, NRW neither contributes to nor receives Finanzausgleich funds. It used to pay into the pool but in the meantime its tax position has

sunk to roughly the lander average. This reflects the fact that the state, which includes the heavily industrial Ruhr area, has a high concentration of relatively declining sectors like iron and steel.

NRW feels it is carrying too much of this burden alone, points to the importance of its coal for West Germany's energy supplies and de-mands an injection of länder funds. In particular it argues that funds already raised (in other lander) from levies on oil and gas exploitation should be drawn fully into the Fi-

Lower Saxony, which has revenue of some DM 2bn (\$833m) e year from oil and gas levies. This income is now partly taken into account in for all states. Those clearly above the average have to pay into a common pool; those below it are recipional for all states. Those clearly above the average have to pay into a common pool; those below it are recipional for the Finanzausgleich system, but are recipional for the Finanzausgleich system. reckoning how much Lower Saxony

Von Galen takes SMH blame

In late 1984 Mr Esch was sen-

Count von Galen, 50, told the

court that he had not wanted to

cause financial harm to others or

enrich himself. He and his family had lost DM 120m (\$49.1m) as a re-

He told the court he had been

partner, also appeared before the nies. court yesterday on charges of fraud The

and breach of trust. He concerned

SMH operations should have been

misled by Mr Esch and had be-

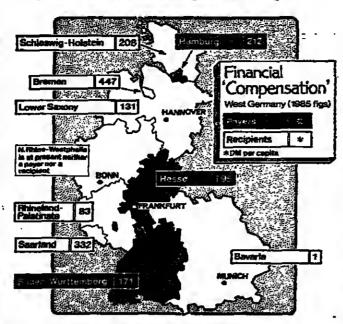
sult of the affair.

ing IBH group.

tenced to three and a half years jail

for breach of trust and contraven-

ing West German company law.



more from the Finanzausgleich is ridiculous. than any other. Needless to say, it has not gone to the constitutional

By far the biggest single contrib-utor is the southern state of Baden-Württemberg which now puts up roughly 70 per cent of all the funds available for transfer. This reflects the rise of the state as an economic powerhouse, with a good spread of Democrat) states of Lower Saxony fast-growing, high-technology business, the lowest unemployment man law the wage and income tax nanzausgleich system.

The latter point is aimed above all at the neighbouring state of rate in the country and ever-swelling tax revenue.

Basically. Baden-Württemberg wants to retain more of the revenue it generates. It says it is ready to

partner, was given a jail sentence of

two years and three months. Mr

Hans-Hermann Muenchmeyer, an-

other former partner, was given a

suspended sentence of one year and

nine months, while Mr Ralph-Rene

Lucius, a former senior SMH em-

ployee, received a suspended sen-

many's most spectacular financial

debacles since the second World

cular the degree of lending to a

The SMH troubles presented the

West German banking system with

the collapse of the Herstatt bank in

The SMH affair, one of West Ger-

tence of one year,

lieved up to the last moment that it war, speeded up moves to tighten

might be possible to save the totter- the country's banking laws, in parti-

that banks involved in refinancing its greatest potential crisis since

informed of the IBH risks by spring 1974. A large number of banks were 1983 at the latest.

In related proceedings last week, sory authorities in a late-night ses-

Mr Hans Lampert, a former SMH single company or group of compa-

special allowances made for citystates are already too great and argue for a cut.

That would seem to put Baden Wurtemberg in the same boat with neighbouring Bavaria, smarting un-der Mr von Dohnanyi's sharp comment about Munich. But in fact even these two apparent allies have different interests. So far, perhaps surprisingly, Bavaria has been a recipient of Finanzausgleich funds. Although the Munich area is be coming known as the so-called Ger man Silicon Valley, the state has a lot of problems - for example, the depressed Bavarian forest region along the Czechoslovak border.

However, Bavaria last year recaived only DM 13m from the common pool and is on the verge of becoming, like North Rhine-Westphalia, neither a recipient nor a payer. Its position will become worse if another move by Baden-Wirttemberg is successful. The latter state is pressing for a change in the Finanzausgleich rule under In principle that would make the Christian Democrat-governed above the national average tax line Baden-Wirttemberg a natural ally do not bave to pay into the pool. Baden-Württemberg is aiming at North Rhine-Westphalia with this

proposal, but it is also making Ba-varia decidedly uncomfortable. ly in tax revenue because of commuters who work in Hamburg but The judges of the constitutional court seem certain to need the wis-dom of Solomoo (and a good compulive in the neighbouring (Christian Democrat) states of Lower Sexony dom of Solomoo (and a good compu-and Schleswig Holstein. Under Gerter) to sort out this tangle. Small wonder that they are unlikely to of these commuters goes to the pronounce before the summer. But states in which they live - although, even then they can only say Hamburg argues, it bears the cost whether the current Finanzaus-of o lot of the local intrastructure. gleich is in accord with the constitu-But the highly saving conscious tion or not. A new system would Beden-Wurttembergers are not conhave to be worked out by the länder vinced that because Hamburg has and the Bonn Government - though high costs it should automatically no one knows quite how.

Malta bid for pact on terrorism set back

By Stewart Daiby and Godfrey Grima in Valletta

THE ATTEMPT by Malta's Prime Minister, Dr Carmelo Mifsud Bonlet to etich from selected Mediterranean countries a co-ordinated com-mitment not to support the

mitment not to support toe export of terrorism eppears to be in difficulties.

He had planned to convene a round table conference on the terrorism issue ond had invited Algeria, Cyprus, Egypt, France, Creece, Itoly, Tunisia, Yugoslavia and Libya to attend. However, only Cyprus has said it will do so, Egypt end Tunisia have refused, and Mr Bettino Craxi, Italy'a Prime Minister, told Dr Mifsud Bonici at their meeting in Sicily this week thal be would take action only in conjunction with the rest of the

The Mallese leader, whn gave Mr. Croxi details of his meeting with Col Muammar Cadam of Libya, intends to press on with Libya, intends to press on with his initiative, however. He wonts to keep lines of communication open between Libya and Western countries. He also believes that economic or military action against Libya could horm Malta.

Libya is Malta's largest non-European trading partner and

European trading partner end Molta wants to encourage its nationals to work there to ease its unemployment problem, now put conservatively at 10 per cent of the workforce. Under o recent agreement Libyans are allowed to visit Malta without a visa, although they must have identity cards. Some 3,000 come each month, mainly to buy car spare parts and other consumer goods.

The two countries hove strong

economic innes. Lloyo has pro-vided soft loans and oil at con-cessionory prices. It is also involved in six joint ventures with Maltese and other third parties including Britain's GEC and Hawker Siddley.

Dr Mifsud Bonici fears that

economic sanctions against Libya or a blockade of its ports would damage Malta's trode links, If mililary action were taken against Libya, an obvious target for Col Gaddaffi would be the Nato base at Sigonella in Sicily, directly

Diplomats here say the US conscious of Malta's goegraphic and economic ties with Libya, but is concerned at the visa arrangements. The Maltese authorities are adamant that entry procedures are scrupulously observed and there is very little possibility of Libyans picking np Maltese passports in Valletta and then slinping into Europe.

Reoler adds from Rome: A magistrate investigating the terrorist attack et Rome airport ou December 27 in which 16 people were killed has Issued a warrant for the arrest of the Palestinian guerrilla leader Abu Nidal on a charge of multiple homicide.

Danish plea rejected on **EEC** reform

FRANCE AND Spain have rejected a Denish call for fresh talks on Enropean Community reforms which were voted down by Denmark'a Parliament on Tuesday, Reuter reports.

Mr Roland Dumas, the French Foreign Minister, said after meeting with Mr Uffe Eileman-Jensen, his Danish opposite number: "It is impossible for this negotiation to be re-opened in any way." The Dane was no the third stop of o two-day tour of six EEC capitals.

In talks in Spain yesterday be was told that the reforms were minimal and should not be re-negotiated, the Foreign Ministry said.

Mr Francisco Fernandez Ordonez, the Foreign Minister, said later: "Europe needs to creote a genuine common market. If one country blocks the others this poses a very serious

Political challenge for Mahathir as Tan faces charges

BY WONG SULONG IN KUALA LUMPUL AND CHRIS SHERWELL IN SINGAPORE

THE LODCINC of criminal charges in Singapore yesterday against Mr Tan Koo Swan, the Malaysian entrepreneur who is bead of the country's Chinese community, could hardly have come at a worse time for Dr Mahathir Mohamad, Malaysia's Prime Minister.

His four-and-a-half year rule was already coming under in-creasing challenge, both from within the dominant United within the dominant officed
Malays National Organisation
(Umno), which he leads, and
from a resurgent fundamentalist
opposition movement called
Porti Islam. Now, with the 61yeor-old Molaysian leader obliged to go to the polls before April next year, his options are beglaning to look increasingly limited.

The darkest pessimists think his position is becoming so eroded that he may be able to survive the year. Certainly his nlans to hold an early election hefore May seem to be ruled out, but he is still believed to be anxious to secure a fresh man-date if he can.

The most Immediata problem posed by Mr Tan's fate concerns

the leadership of the Malaysian Chinese Association (MCA), the largest of the Chinese political parties and the second most important partner in the coalition government after Umno. It was only last November that Mr Tan secured the MCA persi-

dency, coincidentally at a peak in the crisis over the financial problems of Pan-Electric Industries in Singapore. Now the party of the top, two months after end-ing a protracted leadership battle. The 5m Malaysian Chinese.

who form one-third of the population, are in an angry mood.

Demoralised by the pathelic
state of the MCA, squeezed by
the economic recession and humiliated by the arrogance of the Melay leaders, they are now out—in the words of one Chinese figure—" to teach the Covernment a lesson."

That means a potential loss of votes for the coalition as Chinese voters desert the MCA In favour of the opposition Democratic Action Party, which traditionolly takes a fifth of the national vole, and Parti Islam, which has been wooing Chinese support with a calcu-

Dr Mahathir's main problem is not the Chinese voters; how-ever, but his own tarnished credibility and the subtle, but sure on him from Umno.

nevertheless perceptible, pres-Despite denials, the strong partnership that once prevailed with the arrest and charging of between Dr Mahathir and his Mr Tan. Few people are deputy. Datuk Musa Hitam, prepared to forecast what will



Dr Mahatbir: denied charge of

of Mr Daim Zainuddin, a pro-minent businessman who is Dr Mahathir'a confidant, together with the plocing of others in strategic positions in the Cov-ernment and party, has also seemed to put a question mark over the natural succession of Datuk Musa.

At the same time Dr Mahathir ia having to word off allegations of corruption. In an extraordinary interview on nationwide television on Wednesday night, he was forced to deny thet he was corrupt or that he had amassed enormous personal wealth while in power. He also had to defend many of his controversial economic policies, including his indus-trialisation programme, which many believe is ill-conceived, Meanwhile, because of falling commodity prices, the economy as a whole stands no chance of achieving the optimistic 6 per

cent growth target set for il in This week, too. Te Mahathir has had to call off a rearguard action and concede to public pressure in release a report on the Bank Bumlputra affair. The the Bank Bumiputra affair. The state-owned bank lost more than \$1bn (£769m) to Hong Kong property speculators, including the Carrian compony, between 1979 and 1983, and responsibility is believed by many to reside in high places.

But if these are challenging times for Dr Mahathir, he plainly intends to fight back. Yesterday be began the first of a series of well-orchestraled nationwide political rallies by addressing 20,000 supporters in a town 50 miles south of Kuola

All this underlines the unpredictable turn which Malaysian politics has taken with the arrest and charging of appears to have undergone happen next. But no one doubls some stress. The evaluation to that the immediate outlook for the Finance Ministry in 1984 Molaysians is nohappy.

Singapore urged to ease taxes on businesses

BY OUR SINGAPORE CORRESPONDENT

has been told to tap the vast surpluses of its statutory boards in order to make awingeing cuts in corporate and other toxes and offer more ottrective incentives to local and foreign rates.

The stark recommendation comes from a panel of experts in a report to the high-powered Economic Committee which is formulating a future growth path for Singapore's ailing

THE SINGAPORE Government finoncial policy, proposes an has been told to tap the vast immediate sleshing of corporale tax rates from 40 to 25 per cent or, alternotively, e graduated reduction along with an equiva-lent cut in personal income tax

Il recommends thet all offshore income should be taxed at a concessionary 10 per cen at a concessionary to per cent rate instead of the current 40 per cent which applies in most cases. Withholding tox on interest for non-residents about fall from 40 to 15 per cent, it

The Government is now considering the proposals and can be expected to oct on many of them in the next budget, due in March. The Committee, chalred by Brig-Gen Lee Hsien Loong, son of Prime Minister Lee Kuan Yew and himself a junior minister, will deliver its findings next month.

The 11-man panel, called the sub-committee on fiscal end in the panel's call for proceeds from manoging funds in Singatore to be treated as capital goins, subject to zero tax. Questions over whether they might be treated as trading profits are widely helieved to have held up Singapore's development as on international fund management centre. The 11-man panel, called the development as on interna sub-committee on fiscal end fund management centre.

FINANCIAL TIMES

IMF back in Belgrade for interest rates talks

BY ALEKSANDER LEBL IN BELGRADE

AN INTERNATIONAL Monetary and anticipated inflation for the Fund (IMF) team is back in Belnext two months. If applied that

with the Yugoslav Government over its interest rate policy.

The Government has frozen interest rates in January at the December level, although according to tha formula agreed with the IMF and the much lower blended that the property of the much lower blended that here the state it has been paying. last May they should have been increased.

prices in the previous three months \$1.3 per cent.

grade trying to patch up differences would increase the rate from 61 per

rate it has been paying.

ncreased. Producers have been trying and succeeding in offsetting higher inmark three-month deposit rate terest rates through higher prices should be calculated on the basis of inflation measured by producer months to last December increased

Communist ends reluctant race

A COMMUNIST candidate who campaigned vigorously in favour of a Socialist rival for Sunday's presi-used his official broadcasting siots drew officially from the contest yesterday, saying his campaign had been justified, Reuter reports from

Portugal's powerful Communist

dential elections in Portugal, with- to urge the electorate to vote for Mr Francisco Salgado Zenha, dissident Socialist

Other candidates failed in an ap-Mr Angelo Veloso, nominated by peal to the constitutional court to FINANCIAL TIMES
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You'll always be recognised by your taste in Scotch.



CDU mayor suspended over corruption charge BY LESLIE COLITT IN BERLIN

THE GOVERNING mayor of West Berlin, Mr Eberhard Diepgen, whose Christian Democrat (CDU)led government has been charged with widespread corruption, yesterday suspended a CDU district mayor, pending the outcome of an

of Social Democrat-run Hamburg.

The latter complains, for example,

that it loses some DM 700m annual-

Earlier this week, the prosecu-tor's office launched an investigation against the mayor of Tiergarten district. He was suspected of accepting bribes from a prominent locel builder, who was placed under

A CDU district building councillor and a West German tax adviser were also arrested in connection with the affair. Several high-ranking officials in the city's finance and building departments are being investigated on suspicion of receiving Mr Wolfgang Stryj, a former SMH sion to arrange a rescue operation. | bribes.

The corruption charges are a serious problem for Chancellor Helmut Kohl's CDU in Berlin. Until now, it

Mr Klaus-Rüdiger Landowsky, the general secretary of the West Berlin CDU, confirmed that his party received up to DM 100,000 (540,983) in contributions from the arrested builder. Mr Landowsky was criticised in the press for holding posts on the executive board of the city mortgage bank and a build-ing credit bank, in addition to his political function. But since the Second World War, West Berlin officials in all parties have managed to combine business and political

West Berlin has become especially sensitive to political corruption as two Social Democrat (SPD) mayors were forced to resign in the late 1970s, after municipal corruption scandals. When Mr Dietrich Stobbe resigned in 1979, the city was

ungovernable. It was faced with a militant squatters movement and fastdeclining traditional industry. Both was widely praised for an innova-tive administration under Mr Diep-gen and his predecessor, Mr Rich-ard von Weizsäcker, who became President of West Germany in 1984.

EIB likely to have role in Channel tunnel finance

BY IVO DAWNAY IN BRUSSELS

THE EUROPEAN Investment rower within the EEC, accounting Bank, the EECa main lending insti- for almost 46 per cent of leans. But tution, will almost certainly play a lending in the UK registered the role in financing the Channel tun-nel project, Mr Ernst-Guenther Broeder, EIB president, said at a presentation of the bank's 1985 re-

had already discussed the civil engi- own resources and a 25 per cent fall neering scheme with the British in the use of the alternative New and French, but he would not Community Instrument - the facili-expand on the likely level of EIB ty by which the EEC borrows capitally and the second sec commitment to the project.

Total EIB financing last year rose to Ecu 7.18bn (56bn), up from Ecu 6.9bn in 1964. The increase, at 4 per cent, was slower than last time when lending leapt by 16 per cent. Borrowing rose from Ecu 4.45bn to Ecu 5.7bn, with finance raised in for the first time as the most popular currency after the dollar.

Italy remained the biggest bor-

suits yesterday.

Mr Broeder said that the bank a 12.7 per cent rise from the EIB's tal, but channels its distribution through the bank

Lending to Spain and Portugal increased by Ecu 40m to Ecu 200m over the year, prior to their full integration on their accession to full Community membership this month Loans to African, Caribbean European Currency Units amoun-ting to Ecu 731m or 12.8 per cent of the Lomé Convention was also up the total, thus replacing the D-Mark from Ecu 180m to Ecu 235m, but commitments under the Mediterranean protocols almost halved to Ecu

Greek tax Bill proposes prizes, prison sentences

BY ANDRIANA AERODIACONOU IN ATHENS

tabled an innovative tax bill in Parliament. It makes tax evasion a criminal offence and establishes an honesty prize for truthful

The Socialists, who launched an economic stabilisation programme last October, hope to increase in-

Under the new bill, tax evasion offences for sums over dr 300,000 (\$1,900) will be punishable by prison sentences ranging from one month to five years. Evading taxes unofficially estimated to account year for the self-employed.

THE GREEK Government has for more than half the gross domestic product. At the same time, taxpayers judged to bave been frank in their declaration will be rewarded with

bonuses of up to dr 200,000 in the form of a 10 per cent discount on their taxes, as well as with finance ing on favourable terms by state come from direct taxes by 53.4 per commercial banks. The measures cent in 1965, mainly by cracking apply to companies as well as to down on tax evasion.

The bill foresees the gradual elimination between 1986 and 1990 of all special tax exemptions that selected professional groups - including MPs - have hitherto enjoyed in is something of a national sport in Greece. It establishes a minimum Greece, where the black economy is income declaration of dr 550,000 a

Delhi hotel fire leaves 38 dead and 80 injured

THREE BRITISH engineers were among 38 people killed early yesterday morning when fire swept through the bottom ficors of a 12-storey hotel io

New Delhi, sending deadly has bedrooms

New Delhi, sending deadly hotel fires has smoke into bedrooms

New Delhi on one of Burton-on-Trent. Five other engineers on the Rihand project escaped from their bedrooms along with four

Another SO people were injured, making this one of India's worst hotel fire disasters. There were 185 guests in the hotel which means that a fifth of the total died.

Police were last night investigating the possibility of sabotage at a time when security in New Delhi are on the alert for extremists attacks linked with the troubles in the northern state of Punjab.

Firemen fought the blaze for

engineers killed were employed by Allott and Lomax, Chelten-Firemen fought the blaze for more than five bours and bodies were still being carried out of the hotel yesterday morning. An official judicial inquiry was

their bedrooms along with four British employees of Indian Shaving Products, a new razor blade company being set up by Giliette of the US and UK.

"There was e lot of banging and sbouting and I opened my bedroom door and found the corridor full of acrid black smoke" said Mr Doug Bessey, a Gillette engineer. "We put wet towels round our mouths and noses and got to a nearby and noses and got to a nearby fire escape. "We had heard no alarms

and it seemed that the first fire engine to arrive had no fire precautions at o tima when a surge in business visitors is the fire thought it could have general manog been caused by an electric Kirloskar group. water and the fire must have been going for at least an hour

John Elliott reports from of BTR Silvertown from although the hotel management passed a fire drill with the they had no immediate Other guests also reputation of fire alarms, said yesterms, although the hotel management said they were working. Some city's fire authorities ten days guests jumped from upper ago. The hotel however had windows to escape the smoke mo sprinkler system, only a while others died in their which appeared not to work which appeared not to work apparently travelled up three floors in about 15 minutes.

pany called Jalprokash.

Although safety standards
Only two people died of burn
generally low in India, warnings have been issued to other of suffocation in their rooms,"
central Delhi five-star botels in said Mr J. S. Malhotra, the hotel

wife. Among the day were so
foreigners including three
equip a car factory, and a
senior German diptomat and his
central Delhi five-star botels in said Mr J. S. Malhotra, the hotel

wife. Among the Indians was

geograf manager. a director of the large Police officers investigating Rourkela steel plant and two general managers of the

and put him on trial while others died in their smoke-sensitive alarm system to the safter failing to hreak windows with chairms, not realising they could be unfastened and opened. Some bedroom doors, that fire exits "The concrete floors are 6in to survivors reported thot panic started when lights went out. The botel was huilt in 1982 and is one of two botels in Delhi owned hy a family construction and engineering company called Jalprokash.

A five-slar rating means the hotel bas fire escape plans on bedroom doors, that fire exits "The concrete floors are 6in to survivors reported thot panic are clearly marked, and that there is some firefighting equipations. The botel was huilt in 1982 and is one of two botels in Delhi owned hy a family construction and engineering company called Jalprokash.

A five-slar rating means the foors in about 15 minutes. "The concrete floors are 6in to sent there is some firefighting equipation. The fire started in a base-ment on each floor.

The botel was huilt in 1982 and is one of two botels in there is some firefighting equipation. The fire started in a base-ment on each floor.

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The botel was huilt in 1982 and is one of two botels in there is some firefighting equipation. The concrete floors are 6in to some there exists "The concrete floors are 6in to some there is some firefighting equipation.

The fire started in a base-ment on each floor.

A five-slar rating means the floors in about 15 minutes. "The concrete floors are 6in to some there is some firefighting equipation.

The concrete floors are 6in to some there is some firefighting equipation.

The fire started in a base-ment on each floor.

A five-slar rating means the floors in about 15 minutes. "The concrete floors in about 15 minutes. BY SAMUEL SENOREN IN MANILA PHILIPPINE PRESIDENTIAL aspirant Mrs Corazon Aquino plans to strip President Ferdinand Marcos of his immuoity and put him on trial if she wins the polls on February 7.

The removal of Mr Marcos's immunity cover is among eight major points of a political agenda which Mrs Aquino, 52, unveiled before a large crowd of civic and business leaders in a Manile bole verlenday. Manile holel yeslerday. The present constitution which became effective after Mr Morcos declared emergency rute lo 1972, provides him with

lanket immunity from suits long after be has left office. Mr Aquioo had said she would seek justice for her husbaod Mr Benigno Aquino who was assassinated in 1983 and put Mr Marcos on trial for the murder.

not deserve to be voted into office because she was out for vengeance. Mrs Aguino has charged the 68-year-old President, who is fighting the toughest battle in

the economy.



Aguino plans to strip

Marcos of immunity

diverted US economic But o team from the US Gov-ernment accounting office which was sent to Manila last month has released preliminary find-ings that US economic assist-ance to the Philippines had been In his campaign sorties, Mr properly opplied and disbursed Marcos has said Mrs Aquino did AP adds from New York AP adds from New York: President Marcos's claim that he was a heroic guerrillo leader during the Japanese invasion of bis country in the Second World War is "absurd" and "fraudulent," the US army conbis political career, with human rights violotions ond pillaging day by the New Ynrk Times. The documents, in US army

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Last evacuees sail from Aden

BY KATHLEEN EVANS IN DIBOUTI

BRITANNIA, the British Located close to the airport, Royal Yacht, made its last the area of the Soviet Embassy mission to rescue the remain- bas seen some of the beaviest mission to rescue the remaining foreigners from Aden yesterday as fighting was reported to have died down in the

obout 550 non-Soviet nationals, bursts et Steamer Point, fighting balf of whom had been camping out of the hattand ing out of the battered and beseiged Russian Embassy. The refugees were picked up at Little Aden, where they errived yesterday after a hazardous 15 kilometre drive through the war-torn city. The convoy included Russion and French

foreigners converging on Little Aden awaiting rescue were forced to spend the night out-side the gales of the local refinery following a refusal by the refinery manager to allow them to take refuge inside. The plant, one of the country's most strategic installations is now in rebel hands. Commander Richard Bridges

of the HMS Jupiter said that prove a divisive process which numerous attempts had been made by the Britannia to pick up the stranded foreigners two days ago at Khormaksur, but heavy fighting and poor weother had meant the process wes extremely slow and dangerous. diplomat in Djihouti.

fighting, and the top storey of the main building bad been knocked out, said Commander

of Steamer Point is close to the last remaining district beld by the forces of President Ali Nasser Mohammed in the capital.

nowever, reports indicate that loyalist tribesmen from the Abyan area are converging on Aden to come to his assistance,

The defeat of President Ali Nasser is by no means a fait accompli say diplomats in Djibouti President Ali Nasser has trihol support from Abyan and Shebwa, as well as within the armed forces. This represents around 700,000 out of a population of about 2m people. For the rebels to impose their will on loyalist territory could would hinder the establishment of a formal leadership structure by the rebels, "They can-

Militias clash in central Lebanon

SYRIAN-BACKED militia gunners traded night-long artillery and tank fire with Christian forces leyal to President Amin Gemayel in Lebanon's central mountains yesterday, AP reports from Beirut. Police said five combotants were killed and seven

The battle on the eastern flauk of the Christian heart-land fuelled fears of a new round of all-out civil war.

It followed the arrival in Damascus late Wednesday night of Mr Elic Hobelka, President Gemayel's main challenger for leadership of Lebanon's 1.6m Christians, a reek after he went into exile in France.

Mr Hobeika, 29, was flown out of Lebanon after Mr Gemayer's forces crushed his militia followers in a day-long battle on January 15.

The fighting left 350 dead and more than 600 wounded. It also wrecked a Syriauspensored peace pact to end the war that Mr Hobeika had signed and Mr Gemayel

Mr Hobeiks held night-long talks with the Syrian Vice-President, Mr Abdul-Halim Khaddam, the accord's archt-

Our Demascus Correspondent wriles: the Syrian authorities are leaving no doubt about their full support for Mr Hobeika - whom they refer to as "the chief of the executive committee of the Lebanese Forces" — the position from which he was ousted last week.

Loan curb for Sri Lanka state bodies

SRI LANKA'S state corporations and government-supported enterprises, such as Air Lanka and the country's steel, shipping and cement corporations, will no longer be allowed to raise commercial loans from foreign

The Government yesterday approved this proposal of Mr Ronnie de Mel, the Finance Minister, who told the Financial Times: "My bottom line for the debt service ratio was 20 per cent of external earnings hut I fear it may reach 25 per cent this year and somewhat

In an interview, Mr De Mel said that "1986 may be the most difficult year since independence (1948). Tee prices and production were down last year and rubber and coconut prices slumped. Tourist income has dropped 30 per cent, and foreign remittances by our migrant workers in the Middle East show a downward trend, while defence spending will exceed Rs 7bn (£180m), a fivefold increase. Despite our diffi-culties in the past, Sri Lanka

culties in the past, Sri Lanka
has bad good credit rating and
I want to keep it that way."
The minister was particularly
critical of Air Lanka and the
shipping corporation and the
liberal use hy state corporations
of "finencial packages" which
he described as o euphemism
for commercial credit. Eveo for commercial credit. Eveo non-productive projects, he said, have been financed by bank loans and gave the buildings corporation as an example.

For two years the minister has been publicly volcing IMF and World Bank views but political pressure to continue "pet projects" of some ministers has been too strong.

Japan Socialist Party shifts to the centre

BY JUREK MARTIN IN TOYKO

THE JAPAN Socialist Party' was moved to describe this (JSP), the country's second week's ogreement on new largest party, has taken what appears to be a substantial leap ing point" for the party. to the centre with the adoption of a new platform largely devoid of Marxist rhetoric.

Specifically, the JSP has announced its willingness to enter into coalitions with any of the other minor parties or with dissident elements of the ruling Liberal Democrats. "Coalition government is the inevitable agent for the development of socialism," the document says. The new platform constitutes a signal victory for Mr Masashi lshibashi, the JSP's chalrman, who has been engaged in a protracled war with the left since assuming the leadership in 1983. Mr Ishibashi, who had

He is still saddled with some old shihboleths. Officially, the JSP is still committed to "unarmed neutrality" and to ignoring the existence of South Koree. Mr Ishibashi is said to believe he can practically circumvent these restrictions, even to the point of making a trip to Seoul soon.

Ousting the LDP, bowever, is another metter. There is no polling evidence that the JSP has risen beyond the approximately 15 per cent public sup-port it has held for several years, nor that centrist parties such as the Democratic Socielists and Komeito are seen several previous party Socielists and Komeito are conventions end 10 stalemate, ready to rush into a coalition.

Death toll rises in S African tribal clashes

THOUSANDS of Xhosa-speaking when Pondos set fire to a Zulu sides. Pondos fied their shanty towns returning home from a nearby south of Durban yesterday as station on Wednesday night in a fierce fighting between Zulus and Pondos broke out again leading to a least 30 deaths and

between the two tribes over land rights and the outhority of Zulu chiefa which first broka separate the two sides which out in November and erupted were armed with bome-made guns, spears and knohkerries carbeing sticks). They arrested 100 people have died so far in this tribal fighting. The latest onthreak began confiscated weapons from both

Yesterday a large crowd of 500 Pondos attacked and set fire to the arrest of 500 Pondos.

The fighting appeared to be a recurrence of the conflict Zulu Impi (regiment) nearly between the two tribes over between the two tribes over Riot police intervened to constant the two sides which Zulu Impi (regiment) nearly of

(fighting sticks). They arrested the entire Pondo group and

Meanwhile, 11 blacks eppeared in a Westonaria court west of Johannesburg yesterday charged policemen after clashes between miners and police on Wednesday. Police reported that many of 250 miners arrested had previously been treated by witch doctors who made skin incisions and smeared magic ointmeet claimed to render

deported 28 members of the African National Congress (ANC) to nther African countries Lesotho is expected to take similar action against ANC activists as the new military

council consolidates its bold over the country. Under the terms of a proclamation issued on Wednesday the military council has vested legislative and executive authority in the police bullets harmless.

Swaziland, which like although the king's decisions are Mozambique has a joint security treaty with South Africa, has The documents, in US army archive a for three decades, wife Imelda, are the subjects of stote that repeated army in US army archive a for three decades, wife Imelda, are the subjects of stote that repeated army investigations found no evidence looking into reports that they

Before we developed a computer system for the police, we looked at their customers.

When Surrey Police were looking for a computer they made (not surprisingly) a thorough investigation. They interviewed a number of different computer companies but they chose Burroughs' B20 Series.

Before we installed their computer system.welooked at the way people in their office actually worked. We asked who they needed to talk to inside the office and whether they needed access to a mainframe computer. (Since Burroughs also supplied the Police National Computer, this particular task was made easier but, in fact, the B20 Series can link into most mainframes).

In this case, of course, the office belonged to the CID, so at the same time as building an identikit picture of the way they worked, we looked at how their customers worked.

Already the B20 Series has been taken to the scene of the crime and housed in a

local Incident Room on four major investigations. One such case was the search for the M4 rapist, which involved clusters of B20's in two constabularies linked to the Police National Computer.

The flexibility of the B20 cluster allowed one workstation to work on the M4 enquiry, while another was helping police with their enquiries into a major robbery. In fact, they could cluster up to 64 work-

As well as the B20, Surrey Police have also installed an Ofisfile, a filing system that's again designed for the way people work. As Deputy Chief Constable John Evans of Surrey Police says: "We can actually ask it something like 'man with grey eyes' and it will tell us how many times the phrase came up in interviews."

(In a fraud case, a con-man may change

his name four times but he won't change his face, or the colour of his eyes.)

However, the proof of the pudding for John Evans is this: "As a cynical policeman, the great advantage for me is that operational detectives now actually want the system"

In many ways, that's what people are finding whenever our office automation systems are installed. In manufacturing, for example, distribution, commerce, retail, finance and government.

In the words of the famous American TV police series, there are a million stories to tell. This has been one of them.

For more information call Brian Reynolds on 01-750 1420 or write to him at Burroughs Machines Limited. Heathrow Hse., Bath Rd., Burroughs Hounslow, TW5 9QL.

Fall in oil prices forces Mexico to delay debt talks

Until last June, Mexico fol-lowed a policy of alignment with Opec's official prices, re-

set a month in advance, with de-

market by the retroactiva adjustment of prices et the end of each month, and which is

of each month, and which is designed to protect market share at all costs. It also offers its customers — half of them in the US, about a quarter in Europe, and 10 per cent in Japan — a three-tier pricing system whereby European and Far Eastern customers get discounts to allow for transports.

counts to allow for transporta

In December, Mexico cut its average oil price by \$1.50 a barrel, backdated to the beginning of the mooth. This year's budget allows for an average price fall of \$2.40 a barrel to approximately \$22

The breaching of this thres

hold by forward spot prices for bench mark crudes like North Sea Brent and West Texas Inter-mediate, which this week fell to \$20 and below, threatens to un-

tion costs.

epproximately \$22.

BY DAVID GARDNER IN MEXICO CITY

MR JESUS SILVA HERZOG, around \$2bn. the Mexican Finance Minister has postponed a meeting with leading foreign creditor banks in New York today because of

in New York today because of the sharp fall this week in crude oil prices.

Government officials say the price crisis may require Mexico to rethink its external financing strategy for this year.

Mexico is seeking \$2.5hm from its commercial bankers market by the retroactiva admired to the commercial bankers market by the retroactiva admired to the commercial bankers of the commercial bankers of the critical retrievance and a total net new financiog of \$4.8hn. If the oil price fall continues, Mexico's needs will have to be revised upwards or it will be unable to meet its

foreign obligations.

10 Washington, Mr David Mulford, the Assistant Treasury Secretary, said the oil price fall might require Mexican financing needs to be boosted to s6bn-\$6.5bn for this year. New money may be needed "rela-tively quickly" if the price con-tinued to decline, be told an economic committee.

Oil earns Mexico 70 per cent of its foreign exchange and provides 45 per cent of its tax receipts, and is the key to the country's ability to keep up with epayments on its \$97bn foreign

Mexico aims to export 1.5m barrels a day, a self-imposed foreign sales limit on its output of 2.5m b/d

foreign sales limit on its output of 2.5m b/d

This export platform earned the country \$16.6bn in 1984, but as oil prices began to soften last year, Mexico's rigid sales policy led to a drop in revenue of \$750m on its interest bill.

Donors to consider charges on **IDA loans**

By Stewart Fleming in Washington

REPRESENTATIVES of the 34 nations which provide funds for the International funds for the International Development Association (IDA), the soft loan arm of the World Bank, are expected to debate far reaching changes in the way the agency operates when negotiations open in Paris next week over the next increase in its fund-

Among the contentious issues which donor nations, lead by the US, are expected to raise alongside the key issue of bow much to increase IDA's funds, are whether or not the IDA should start charging a rate of interest on its loans, whether the maturity terms abould be shorteoed from the current 50 years and what other conditions, if any, should be tied to its leans.

Officials say the more positive approach which the US adopted towards the multi-lateral development agencies at the annual meetings of the World Bank and the Inter-national Monetary Fund in Scoul, Sooth Korea, in October, is an encouraging

sign,
Domestic political pressures
bowever, particularly on
government bodgets, will make it hard to echieve o substantial increase in funding for the IDA.

ing for the IDA.

Budget pressures are particularly acute in the US with its buge federal deficit of over \$200hn. In addition it is the US which is perceived to be the country most auxious to tighten up the terms and conditions attached to IDA.

The last IDA replenish ment, completed in January 1984 provided for only a \$9bn increase in IDA funding over a three-year period and was a bitter disappointment to World Bank officials. Subworld Bank officials. Sub-sequently agreement was reached on o separate special facility for sub-Saharan Africa of \$1.3bn.

International concern about Africa which has intensified over the past two years, will, possessed have halp the Tha

officials hope, help the IDA secure a more generous increase in its funding but they are careful not to put any figures on their expectations ahead of the talks. No firm results are expected

out of next week's meeting:

from VFW of West Germany. But now it is launching two new

planes into a buoyant market and has a record number of

orders and prestige buyers last

In hand are 38 sales and 10

options for the new Fokker 50, a 50-seat prop-jet that was un-

a year from now, to Ausett of Australia.

Fokker's other new plane is the Fokker 100, a 100-seat fan

jet launched two years ago as an updated version of the F-28 Fellowship. The order book has 38 sales plus 31 options from Swissair, KLM and the rapidly-

growing USAir, which provided one of the largest contracts ever

Acst.

Jimmy Burns reports on the political effects of a fourth general strike

Frayed nerves in Argentina

not just because of the stifling solid-humidity of the local summer. Th Since just before Ghristmas, national life has been disrupted by an incessant wave of stoppages, mainly in the states sec-tor. These have frayed the nerves of the general public and propelled the country's only major trade union organisation, the General Confederation of Labour (CGT) on o collision course with the government of President Raul Alfonsin. Today the confrontation will reach

a new peak with the fourth general strike to be declared since the eod of military rule in October, 1983.

Uoion officials insist their anger is directed less at Mr Alfonsin personally than at his economic policies, since the Presideot is still seen as the main bastion preventing the return of military rule. But for Mr Alfonsin the current tug of war with labour has focussed October, 1983. war with labour has focussed on a matter of principle. The GGT, spawned by General Jnan Peron in the late 1940s, as the linch-pin of his corporate state. bas never distinguished itself as being a democratic instituas being a democratic institu-tion. To give in to the CGTs demands now, Mr Alfonsin's aides say, would plunge Argen-tina once again into a hyper-

inflationary spiral. It would also undermine the very fabric of the state. Such apparently irreconcil-able positiona have been mado all the three tense by Mr Alfonsin's recent by Mr Alfonsin's recent public allegations that the traditionally Peronist-dominated CGT was being infiltrated by communists and Trotskyites bent on revolution. This attitude is a striking contrast to the position a few months ago when both Govern-ment and labour officials talked

enthusiasically about the need

This earier reconciliation was abetted by the initial success of last June's prices and wages freeze, which reduced monthly inflation from 30 per cent to 2 per cent and opened up the prospect of economic recovery. Union officials, faced with over-whelming public support for the measures, were forced to con-cede that inflation was the greatest tax on the working

The honeymoon, however, proved short-lived. Some companies which hed already been suffering from the cumulative effect of inflation and recession, found their problems com-pounded by a new squeeze on

There were sharp cuts in government spending, and lay-offa followed, triggering new militancy among the unions. Since September, some manu-festuring sectors have recovered facturing sectors have reported a limited recovery, but this has been insufficient to hold hack the growing labour offensive spear-

BOLIVIANS STAGE GENERAL STRIKE

Bolivian workers staged a general strike yesterday against the government's economic policies only bours after President Victor Paz Estenssora swore in a new cabinet committed to controlling inflation, Reuter

reports from La Paz. The 24-hour strike closed down factories and mines and disrupted rail service, but shops to La Paz remained open and public transport in the city was largely unaffected.

The President reshuffled his cabinet to breathe new life into his anti-inflation appointing Senate

THE TEMPERATURE is rising for a broad social pact capable once again in Argentina, and of making democracy more not just because of the stifling solid.

beaded by the state sector. loog been a convenient rallying Union leaders have been forced call for the Argentine to adopt more radical positions opposition, which now sees itto adopt more radical positious

> had a fundamentally economic cause. Real salaries have fallen by an everage of 12 per cent since June because of the Government's inability to match wage constraint with an effective control on the complex army of middle men and small-scale retail outlets. With an inflation rate of 26 per cent since June, an increasingly large sector of the working population is find-ing it once again hard to pay the bills.

> Against the background of re-ports that the IMF is once again insisting on tighter fiscal and monetary discipling as a precondition for helping Argentina pay its foreign debt, the unions have isolated the banks as the maio culprits.

Today'a general strike calls for a moratorium on dabt repayments as a way of rechannel-ling resources back into wages.

President Conzalo Suncher de Lozada to the post of planning minister, head of the government's economic team. The centrist president brought 11 new faces into the trought 11 new faces into the 18-member Cabinet, including four top businessmen.

Mr Guillermo Bedregal, the previous planning minister, who had been criticised by Mr Sanchez de Lorada for failing to keep a tight hold on the economy was made.

on the economy, was made foreign minister. The President said the chief task of the new Cabinet was "to put the brakes, if it is possible, indefinitely, on

by their shop stewards and left-wing-dominated rank and file.

self inadequately represented in parliament. But the ability of parliament. But the ability of the GGT to move beyond thr essentially symbolic nature of today's protests to more dramatic forms of action against the Government in the months ahead remains another matter. Argentina's trade union movement is not whet lit was. The

bankruptcies combined with the repression which political repression which occurred during the former military regime seriously weakened the GGT's membership base. leading to the emergence of a growing population of self-em-ployed and a significant sbrinkployed and a significant software age in the traditional lobour strongholda. The Metal Workers' Union (UOM) which boasted over 300,000 members when it helped precipitate the fall of the last democratically elected government in 1976 has

elected government in 1976 has eeeo its membership halved in the last decade.
Significantly, the weve of strikes preceding today's protests did not substantially affect. A repudiation of the debt has the private sector, where em-ployers beve increased fringe

bentfits as a bonus to the 5 per cent productivity lioked in-crease decreed by the Government just before the new yeer.
The Government expects the strike, like previous stoppages, to paralyse the working day. But it hopes that the prospect of being without jobs could undermine the militant call for on allows assessed to the prospect of all-out assault, exacerbating rivalries within the trade nation movement which Mr Alfonsin appears bent on exploiting.

Mr Alfonsin, meanwhile, is gambling that a recovery in the export sector and an inflow in export sector and an inflow in

foreign capital will eventually pays the way for a reconcilietinn with moderate sectors of the CGT be regards more in tune with the popular vote. **ABC** gives go ahead to controversial TV series AMERIKA." the TV series

Moscow wanted killed, has survived political pressure and the ABC network has decided to go ahead with production of the dim depicting the US under fictuous Soviet rule, AP reports from New York.

The proposed 12-hour series has been in production limbs for several weeks, but it received approval from ABC this week. Production will start to two months, ABC said, and it is to be broadcast in Spriog 1987. "In light of the luberent dramatic quality of the meteria the decision to present 'Amerika was eo easy ooe," said Mr Brandon Stoddard, president of ABC Entertainment, a division of

ABC. But political pressure sug gested otherwise—first from the Soviet Union to cancel the project in the name of detente, theo from a Reagan Administration official to carry on with the pro duction in the name of freedo Twn weeks ago. Mr William Bennett, Secretary of Education, said postponing the filming was "a bad lesson for our children. Soviet Embassy officiala io Washington were not available for comment.

US to phase out use of all asbestos

THE US Environmental Pro-tection Agency (EPA) announ-ced yesterday it intends to ban immediately five product cate-gories containing asbestos and gories containing aspestos and phase ont all other aspestos use over 10 yeors, AP reports from Washington. "We are taking this action because of the significant and well-documented threat to health that aspestos represents." Mr Lee Thomas, the EPA administrator, said. It could take as long as a year to complete work on harning the five product categories, which he said account for about one-third to one-half of the estimated 300,000 tons of asbestos used in the annually...

The product estegories are: company's initial proposal of saturated and unsaturated roof-\$8.25 an bour, but it remains under the \$10.69 paid at the Austin plant until last August. The union sees itself as strug-asbestos-cement pipe in fittings,

US incomes rise 1.4%

BY NANCY DUNNE IN WASHINGTON

THE AVERAGE income of high car sales, wage increases and \$10bm worth of farm subin December, the blggest jump in 23 months, according to the US Gommerce Department. Per cent last year, down from Personal spending shot up 2 per cent, the fastest rate in

more than a decade,

However, the spending and income figures for the entire year were considerably less impressive, and economists were divided over whether the December figures signalled a revival of growth or resulted from temporary factors like income rose only 4.9 per cent during 1985, the lowest gain since 1961.

While American incomes were gaining less, they were accumulating huge personal debts and saving only 4.6 per cent of their yearly income, the lowest rate since 1949 and down from 6.5 per cent in 1984.

Average income gained 5.9 per cent last year, down from 9.7 per cent in 1984. Disposable income rose only 4.9 per cent during 1985, the lowest gain

Striking meat processors face fresh threat

Fokker finds its feet in the short-haul market

TRADE UNIONS fighting a in response to complaints about jobs. The build up in product 1,500 Austin workforce remains bitter five month strike over violence in the town. After tion, he added, would be substantially better than rates wage cuts at Hormel, one of an initial confrontation with the leading US meat processing companies, faced a serious challenge yesterday when the group's Austin plant reopened workers entered the plant and following the intervention of registered for employment.

Mr Deryl Arnold, the plant reopened is not processed to the plant and following the intervention of registered for employment.

Governor of Minnesota, ordered entered the building, but he around 800 national guardsmen claimed that a number bad into Austin earlier this week been interviewed and given

ispute. manager, refused to say yester-Mr Rudy Perpich, the day how many workers had

The dispute at Hormel, which

has plants around the country but is based in Austin, has become the most prominent hattleground for the US trade unlon movement's fight against tha trend to reduce wages in many basic industries.

substantially better than rates in the rest of the industry, which ore sometimes as low es \$8.50 an bour. The \$10 figure was reached after several arbitration hearings which increased the

The company claims the hourly gling against the trend to cut and aspestos clothing used by rate of \$10 that it is offering the wages and living conditions firefighters.

WORLD TRADE NEWS

Britain in bid to win £700m Indian defence contract

BY JOHN ELLIOTT IN NEW DELHI

BRITAIN is offering India an Ministry of Defence to place an advanced long-range version of order quickly because it its 155mm field howitzer gun urgently needs to improve its in an attempt to win a £700m defence contract against tough Swedish and French competi-

For the past few weeks, the Indian Ministry of Defence has been negotiating only with France and Sweden, But Britain hopes to be included on the short list along with these two competitors, having offered a new version of its FH-70 gun with e range of 40km which it produces in partnership with West Germany and Italy. Earlier offers bod a 30km

Tange.

This is one of the biggest defence orders evaluable internationally because Indie wants the full order of 400 guns, emmunition and towing vehicles delivered within 30 months of e cootract being signed.

This would be followed by transfer of technology for full production in India.

The Government is believed to beve discussed covering some of the costs with counter-trade arrangements. It is seeking major financial concessions which are believed to bove led to redoctions in prices offered

artillery. At present, it is out-classed by US-supplied M-180 guns used by Pakistan with which it has

fought three wars and has frequent border clashes. The Swedish Bofors-77 gun has impressed the Indian army. But it is the bigbest priced, is not backed with as much financial aid as the French competitors, and is of complex

The possible order is also being criticised in Sweden by anti-war protest groups.

The French gun, made by
Giat appeals to the Ministry of
Defence because it is the newest of the designs on offer from the three countries and is only just

entering production. The British offer, which is being merketed by the Govern-

Ammunition would be pro-vided by a number of com-panies including Royal Ord-nance factories of the UK and

which are believed to bove led to redoctions in prices offered last year to about £710m from from and £740m from Sweden.

A fourth bid from Austria, which was the lowest at £650m, has been dropped from final negotiations, partly because of ment last year at a time when performance problems with the loss for a variety of the lowest and the last year at a time when performance problems with the loss for a variety of projects were running into Voest-Alpine GNN-45 gun, comprojects ware running into panies started tendering in 1979.

The Indian army is now revived with the launch rebelieved to be pressing the cently of the long-range gun.

FOR THE first time in years, Fokker seems to be in the right place at the right time. The Dutch aerospace company has suffered an erratic decade marred by red ink, an aborted venture with McDonnell Douglas and a corporate divorce



The Fokker 100, a 100-seat fan jet launched two years ago.

veiled two years ago as a modernised successor to the venerable F-27 Friendship. The first deliveries are scheduled for "This is the first time in post-war history that aircraft have been so carefully designed band-in-hand with the market," Mr Swarttouw said recently.

received: 20 aircraft and 20 options. The initial deliveries will be made to Swissair in the will be made to Swissair in the spring of 1987.

Mr Frans Swarttouw, chairman of Fokker, clearly welcomes the boom in business by growing air traffic, falling welcomes the boom in business by growing air traffic, falling forced to respond in kind with following the bad patch when his company was forced to seek the strong dollar (in which more diverse fleets than in the

government guaranteea for a most aircraft are priced). The F1 60m (£15.2m) loan. The airmost profound development, line industry is rebounding bowever, has been the deregutor the slump of the early 80s lation of the airline industry, with a pair of planes that promise high quality, operating efficienciee and passenger comfort comparable to larger craft.

This is the first time in post. With the loosening of regula-

planes.

lation of the airline industry, especially in the US and in-

With the loosening or regulations on fares, rootes and frequencies. US airlines have been thrown into a pitched battle for passengers. A fock of new short haul carriers bas entered the fray touting cheap tickets, more flights and desti-nations, all requiring new planes. Meanwhile large, established airlines have been

US is deeper," Mr Swarttouw notes, but he is proud that Fokker bas cultivated customers around the globe rather than rely on a captive bome market. Fokker sells fairly evenly to Asia, America and Europe with Africa and Australia following Moreover, the US and Euro-

pean customers are generally financially sound companies usually able to make large npisually able to make large ap-front payments, unlike some of tha buyers in the early 1980s (and a couple today) who had trouble paying at all. Neverthe-less, airlines are bargaining hard for favourable financing to ease pressure on their profit margins. Mid Pacific Airlines of the US and British Midland recently passed over Forker for recently passed over Fokker for British Aerospace, quite possibly on the basis of financial

The State of the S

recoup development costs based on planned production of 60 aircraft a year. The potential market for 50-seat planes is estimated at 1,000 and for 100-seaters at 1,250.

The Dutch company, bowever, has arranged the financing of the combined Fl 1.2bn development costs for the new pair.
Some Fl 800m in Dutch government-backed loans, plus grants from the Netherland Agency for Aerospace Programmes, will be repaid onl yas planes are sold and delivered. About half the Fokker 100 production costs are carried on a risk-sharing basis by subcontractors such as Short Brothers of Northern Ireland, Grumman of the US and MBB of West

Germany. Fokker ia equally confident

Fokker 50 and with Scandin- market and Fokker now claims

All this adds up to a windfall for Fokker, especially from fast-growing US carriers like uSAir, Piedmont, Corsair and USAir, Piedmont, Corsair and the F-28, are filling the gap left by countries which can no longer afford as many new planes as in the past.

"Our penetration into the US is deeper," Mr Swarttouw notes but he is proud that aircraft.

More threatening still is the revolutionary new propfan, an engine concept that is similar to the traditional turboprop but uses differently-shoped blades and more of them. Boeing, the world's largest civil aircraft manufecturer, announced io November that it would flight test o propfan on its proposed 7J7, claiming the fuel-efficient engine would belp reduce seat-mila costs by 60 per ceot compared with conventionallypowered eirliners. Boelog'a move could be ald a trend for the industry.

Fokker bas a small team of experts studying the propfan technology but Mr Swarttouw is confident that his new British Aerospace, quite possibly on the basis of financial considerations.

Discussions reportedly beve been held with Olympic Airways of Greece about the lowest seat-mile (the cost of a trip per seat) costs on the stay up to date," he forecasts.

Czechs to build Soviet pipeline BY LESLIE COLITY IN BERLIN

ABOUT 12,000 Czechoslovak workers, technicians and engineers will shortly begin construction work in the Soviot Union on a major gas pipeline which will give Czechoslovakia guaranteed gas supplies for the next 25 years.

The move is part of o bilateral trade agreement bilateral trade agreement signed recently between Prague and Moscow. Under similar accords other East European countries will help to build the Yamburg gas pipeline from Western Siberia to Eastern Europe in return for additional gas deliveries. Hungary has also signed an investment-for-gas agreement.

The Soviet Unioo stipulated joint Comecon investments in recent pipeline projects on its territory because of the growing cost of extracting gas and oil in Siberia.

TO CALIFORNIA WAS COMEDITATED BY CONTRACT THE COMEDITY AND A SECOND COMEDITY.

Reports in the Czecboslovak return

burg pipeline east of the Czechoslovak-Soviet border. 1t will also deliver aight compressor station, six of which are to be built on internal Soviet pipelinea from the Yamburg field.

would be difficult to maet the completions scheduled — the 360 km section and two of the

gas complex was said to be about the same as that for the pipeline. Czecboslovakia wili also build a 220 km section of a gas pipeline in the Tula area It is unclear how much equipment Massacra will the way of the shipping industry amounted to "foreign exchange and employment vast Yamburg gas field. In ment Moscow will bave to return it will receive import from the West for the Yamburg pipeline as Soviet and supplies. East German industry in recent Czechoslovakia is to build a years bave developed equip-

Athens given warning on shipping

THE NUMBER of vessels carrying the Greek flag will con-tinue to shrink unless the Government adopts proposals for a more fevourable labour and tax regime for the shipping in-dustry, the Union of Greek Shipowners has predicted. A package of proposals for

Mr Stathis Gourdomichalis, the union's president, said 450 ships abandoned the Greek flag in 1985, against 311 in the previous year. Putting obstacles in try amounted to "foreign ex-change and employment suicide," he said.

ducing the crew complement by two to three persons on average

Sweden's paper industry 'will experience downturn'

will experience a downturn in were coming off the bottom.

1986, according to Mr Bo In the fourth quarter of last Wergens, Director Generel of year, producers reduced output to cut their stocks, and had tha Swedish Pulp and Paper just announced prices increases

Mr Wergens said that demand next year in Europe abould show growth of 1-2 per cent. similar to that in 1985. Profits with last year's high point of similar to that in 1985. Froms in 1985 had fallen 30 per cent from the exceptional levels of 1984, and should fall further the year, but only to an "acceptional level of the Swedish/North year, but only to an "acceptional level of the Swedish/North year, but only to an "acceptional level of the Swedish/North year, but only to an "acception level of the swedish of

Pulp prices bad fallen by 30 per cent during 1985. "With the possible exception of Brazil, everyone is losing on pulp over 100,000 tonnes this year. The UK market has remained America as well as in Europe."

Mr Wergens said.

Non-integrated readmarks had

THE SWEDISH paper iodustry indications that pulp prices of \$25 per tonne.

If achieved, these increases

Press Papers, said that news-peper titles being started up in the UK should increase UK de-

Mr Wergens said.

Non-integrated producers bad therefore had a good yaar, in contrast to 1984, when high pulp prices bad given the odvaouage to the integrated producer.

Mr Wergens said there were number of years.

"UK newspaper readership is alreedy the second highest in the world." he said. "I don't think we will see e drastic increase in consumption, other than initially."

New Delhi calls tenders for offshore oil search

BY OUR NEW DELHI CORRESPONDENT

INDIA yesterday formally an-nounced that it is inviting hids panies to make bids. Tax con-

bids launched by India and in-cludes for the first time a sies-mic oution to allow and siesmic option to allow companies to abandon contracts if surveys

produce poor results.

from international oil companies cessions have been introduced for exploration of 27 offshire oil blocks. ductioo-sharing basis with the Government-owoed Oil and Nat-

Saurasbta Basin and the Kerala-Konkel Basin oo the West Coast, produce poor results.

Signature and production Krishoa-Godavari, Palar and boouses required io earlier Mahand Mahanadi on the East press said Prague will finance rounds have been abandoned in coast.

EAST GERMANY expanded its foreign trade last year by 3.5 per cent, well short of its target of 8 per cent expan-sion, Leslie Colitt writes. The value of foreign trade ruse to Valuta marks 180bn, about DM 136bn (£33bn), Vainta marks are used to calculate trade figures.

Trade with the Soviet Union and the rest of Comecon rese 4 per cent and with the West by 24 per cent.

Total trade surplus with the East and West amounted to Vainta marks 7bn. West German analysts said East Germany managed to further reduce its net debt to the West by \$1.8bn to \$5bn. This figure does not include West Germany.

return it will receive "preferential rights" to gas

Officials in Prague said it

compressor stations are due to be installed by mid-1988. Gzechoslovakia is also to help construct a gas complex at Karachagansk in the Urals and build "industrial bases natural gas production. industrial bases" for

The volume of work on the

ebout 19 per cent of the cost supplies.

East German industry in received the 4,600 km Yamburg pipeCzechoslovakia is to build a years bave developed equaline end the exploitation of the a 360 km section of the Yamment for pumping stations.

a national shipping policy was submitted by the union to the Prime Minister Mr Andreas Papandreou.

The union is calling for a twoyear freeze on tax increases and the restoration of legislation re-



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CHASE

in 1983, shareholders were not

told the details until last

this. But many of its bankers

and shareholders argue that while its accounts were correct

in form, they failed to reflect

grant Thornton, which has just stepped down as the company's auditor, did not qualify the accounts before 1985.

The 1985 accounts — drawn

up during the rescue operation were heavily qualified.

Moreover, the company took the view that a balance sheet

costs in the year to March 1985 of £116m, resulting in a £4.2m deficit of shareholders' funds. These include £49m on Cali-

The package also involves the conversion of £63m of

bank debt to equity, but even

then the company's future will

remain cloudy; borrowings will remain high relative to share-

bolders' funds and the group will bave to carry out further

disposals to repay £20m of working capital made available

look for coal prices—particu-larly in the US, where Burnatt retains large Pennsylvanian interests—and at present there

are few signs of an upturn. But at least Burnett has no

been stripped back to the kind

of coal mining business that It knows best, and that was at the

heart of the company before it got so very ambitious.

Moreover, the top management bas also been extensively

changed. Grayson has stepped

down, to be replaced as chair-man by Carlile, a widely respected former managing director of Babcock Inter-

national. Burnett is looking for

the banks.
Mucb will depend on the out

less operous terms.

substance of the company's

month's rescue operation. There is no suggestion that Burnett acted illegally in all

position.

THE MANAGEMENT PAGE

one of the most glamorous stocks on the London market, widely hailed as Britain's fastest

growing company.

But last week Burnett and Hallamshire, the coal mining and property group, was only saved from the receivers when a pecked meeting of its abare holders, in the dour function room of a Sheffield hotel, voted through a severe financial rescue package dictated by tha company's banks.

The shareholders were in an angry mood, and understand-ably so, for the full horror story bebind the collapse of Burnett and Hallamshire only emerged in documents accompanying the rescuo doal.

The Burnett affair may lack the political drama of the Westland battle, which has over-shadowed it in recent waeks, but it can nevertheless lay claim to considerable impor-tance. For example, the comtance. For example, the com-pany'e losses are larger than those of Westland; second, the affair involves important principles of eccounting; and third, it is a cautionary tale of a business going too far too fast, nelped along in its early stages by an enthusiastic stock market.

"Most of the problems have come about as a consequence of a business which has expanded too quickly into activities for which it had inadequate financial and management resources," acknowledges Tom Carlile, who recently becamo chairman to oversee the rescue efforts.

efforts. Many observers would also argue that the company's extravagant ambitions were reinforced by its accounting methods, and its particularly beavy recourse to off-balance aheet finance. The rescue documents show that by March 1984 Burnett's overall borrowings; including hire purchase liabili-ties, totalled £154m, compared with shareholders' funds of £108m. Soma £83m of the borrowings were off-balance ebeet, albeit disclosed as contingent

"Burnett," said one rueft; inker, "carried off-balance sheet financing to a new art." This kind of financing is often designed to present a better gearing ratio to the world. For example, company "A" may set up company "B," which is not a legal subsidiary, and therefore does not have to be confore does not have to be consolidated into its accounts, even though company "A" is ulti-mately responsible for such

liabilities as it has guaranteed. Such techniques can seriously mislead the users of financial 1982 and early 1983, even statements. The Institute of though the shares by then were Chartored Accountants is so well below their peak as City concerned about the practice sceptics asked whether the com-annual reports, Burnett's ex-that it recently issued a techni-pany was moving too fast. A pansion into Californian pro-

Burnett and Hallamshire

Rescue from a financial minefield

Martin Dickson charts the events which brought the UK coal mining and property group to the edge of collapse

and stimulate debate. This says members abould consider the economic substance of trans-

actions, and not just their legal

form, when deciding the appropriate accounting treat-

The Burnett story — which is likely to be cited as important evidence in this accounting debate — goes back to the late

1970s when George Helsby, the company's finance director, took

over first as managing director and then as chairman.

a coal delivery company, had grown into a reasonably sized energy business, focused mainly

on coal; it was the largest open-

cast mining contractor to the National Coal Board.

Helsby, a short, dapper man who drove a powder-blue Rolls-

Royce, bed much greater ambitions and set about turning

Burnett into a substantial player in the international

Burnett's share price soared

as he set out on a remarkable acquisition programme, much of it financed by sbare issues: coal

mines in Pennsylvania and Sooth Africa, lignite reserves in Northern Ireland, property in California, feasibility studies

in the Philippines, investments

in Tierra Del Fuego . . . At

one stage in 1981 Burnett was buying a company a month. Holeby would say to his staff: "Have we bought anything this

Expansion continued through

energy business.

morning? "

Burnett, founded in 1921 as



cal release both to offer advice hefty rights issue did not help and stimulate debate. This says market sentiment, and nor did members abould consider the eight that the group had problems with one of its largest acquisitions - a majority stake in the South African mining group, Rand London.

Neverthaless, Helsby con-tinued to exude optimism. In the 1983 annual report, issued in June, be declared that tha stage had been prepared for "further impressive achieve-ment" and ba predicted "further substantial growth... in the current year and beyond."

But by the end of 1983 Helsby had resigned from the group, because of "ill bealth," the share price had collapsed and Eric Grayson, his replacement and former deputy chairman, was reporting a slump in pro-fits, blamed in largo measure on recession in the coal industry.

Under Grayson's leadership, Burnett began to retrench. But it could not move fast enough as problems crowded in on all sides. The year-long British coal strike hit its bread-and-butter opencast operations; the Iran-Iraq war battered its construction struction contracting work in

Apart from these external factors, it was trying to put right three acquisitions which had turned into nightmares: Californian property, PBS coal in Pennsylvania, and Rand London. However, as is shown below, the company's shareholders were given little indication of the severity of thesa problems, which were to end in a cash crisis. To judge from the company's

perty in the early 1980s seemed at first to be going well. In 1982, Helsby spoke of it producing "substantial profits." In 1983, there was a £9.3m con-tribution to group operating profits of £36m from the sale of one development. Dart

In all, £11.8m profits were taken into the eccounts on this sale in 1982 and 1983 - but they bave now had to be written off. Dart was sold to e joint venture in which Burnett had a 50 per cent share. The other partner, had an effective right of withdrawal if planning per-mission was not obtained which it never was - and no cash changed hands in the deal. Burnett simply took the profits on the sale into the balance sheet as a dabtor.

600 Burnett & Hallamshire -83

This news prompted one angry shareholder to ask at last week's meeting: When is a profit not a profit?".

By 1984, Burnett had a commitment to six speculative developments in California, which relied entirely on the company for funding until they were completed, tenanted and sold. But It was only in Angust of that year that the company put a significant management presence on the ground there.

Moreover, the joint venture nature of these deals allowed Burnett to keep the substantial debt involved off its belance eheet. By the time of the 1984 accounts, its California borrowings totalled £28r-£29m, but these appeared anonymously under a general contingent liability for guarantees amounting to £41.25m in respect of certain contracts and undor-takings entered into in the

with problems mounting on all sides, the company tried to redoce its exposure in California, but a downtim in the property market and a change in tax legislation aborted two in tax legislation aborted two sales early in 1985. This, coupled with the burden of continuing to service the dobt, played a major role in trigger e cash crisis.

The shortage of funds meant that Burnett was mable to meet the torms of a 1983 deal under which it acquired a 24 per cent stake in PBS, a Pennsylvania coal company, for \$2.4m, with an agreement to tions adviser. City and Combuy the rest of the equity in stages for a further \$7.6m.

At the time, the company said the deal had been secured on "advantageous terms." What it did not reveal wholly responsible for funding chairman of the NCB.

-and what only emerged in mand what only emerged in the rescue operation—was that it had agreed to pay the vendors a minimum annual royalty of \$7.5m a year for 22 years, irrespective of whether any coal was mined, but the subsequent collapse of coal prices turned the deal horribly sour. Meanwhile, 51 per-cent-owned Rand London, Burnett's first big acquisition, was proving more and more of a nightmare. more and more or a mgunulity lt was losing money from its coal mining operations and only

year to last March. It and Burnett also shared the ownership of a coal terminal at Ghent, in the Netherlands, which was completed behind schedule in late 1983 and, because of the depressed state of the shipping market, lost money from day one. But an even bigger skeleton was hidden in the Rand Lon-don cupboard: before Burnatt acquired a stake in the com-

sidiary had committed itself to an onerous five year shipping contract which, it leter transpired it could not meet. To prevent its probable collapse, Burnett agreed to buy the ship involved—the MV Hallam Venture-on hire purchase of \$27.4m.

pany—and unknown to Burnett —Rand London's principal sub-

To keep this off its balance sheet, the deal was done through a new company, Mincorp Shipping and Finance, in which Burnett's public rela-tions adviser, City and Com-mercial Communications,

Mincorp's cash requirements Management Although this deal was struck

EDITED BY CHRISTOPHER LORENZ

abstracts Technology and Competitive Advantage. M. E. Porter in The Journal of Business Strategy (US), Winter 85 (18

pages) Describes the links between echnological change and competitiva advantage which arise out of technology's role in the company's "vaine chain" and its ability to achieve lower costs and/or quality differentiation; shows how technology diffusion can change industry atructure— for better or worse. Discusses methods for selecting a technology strategy - which could concentrate on modest improveconcentrate on modest improve-ments rather than major break-throughs — and for deciding whether to adopt a role of leadership or "followership," looks at the advantages and drawbacks of being a "first mover" in new technology, and the benefits and pitfalls of technology licensing. Gives advice on forecasting the evolution of technology in an industry, and the analytical ateps involved in formulating a strategy for turning technology into a competitive weapon rather than a scientific curiosity.

fornian property, £13m on Middle East construction, £11.4m on Ghent, £10m on the M.V. Hallam Venture and £7m on PBS Coal, the purchase of which has been renegotiated on The Cavents in Mentership. D. W. Myers & N. J. Humphreys in Business Horizons (US), July/August 85. (5) pages) Points to general support for mentoring (by which less-experienced personnel are assigned to the more experienced); warns, however, of pit-falls in mentor/protégé selection (for instance, the dangers of discrimination), in the mentoring process (eg. where the mentor is too busy or is a bad tutor), and in the aftermath (eg, where the mentor falls out of favour in the organisation and the protege suffers).

> Public speaking for women. B Schifter-Klake in Assistenz (Fed Rep of Germany), July-Angust 1985 (2) pages, in German; English version available).

Maintains that men score over women participants in business discussions; analyses whet advantages they have, what women can do to be accepted on equal terms, and to what extent seminar training can help. . . .

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states present or represented at the meeting present or represented at the meeting of shareholders of 3 February 1080, the owners of bearer shares have beeness days before the meeting at the registered office of the company or with Bandue Genérala du Lissembourg, S.A., 28 Arean Montroy a shareholders should looke their proxies with the company three husiness says before the meeting.

THE BOARD OF GIRECTORS

BRAZILIAN EQUITY HOLDINGS S.A. Sesistaned Office:
rg Rue Theodore Eberbard, Loxembow
R.C. Loxembow 8 11368 An Extraordisary General Meeting of sharsholders will be held at 18 rue Theodore Ebernard. Laxentoourg, on 3rd February, 1000 at 1.000 a.m. to deliberate on the following agenda:

Modification of the Articles of incorporation to put them in agreement with the law of 25th August, 1983, regarding the following polinis:

Net Asset values gride 22- Amendment of the Second Sentance of paragraph 2 of Articla 22 such as to read as follows:

"The resourchase price shall be equal to the Net Asset Value, less a reperchase charpe of up to 1% celcalized in accordance with the provisions of Article 23 hereof on the valuation date following receipt of request."

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development bill for the year will be \$116.8bn (£83bn), an increase in real terms of 4.4 per cent on 1985, the study says. Of the total, industry will contribute 49.8 per cent and the US Government 46.7 per cent with the rest coming from academic and non-

profit organisations.

According to the study, the aerospace industry in the US will be the leader in spending, accounting for \$18.8bn, of which 78 per cent will be funded by the US Govern-

ment.
Other industries rely more

Other industries rely more on their own funds. Communications will speud \$17.7bn (60 per cent funded by industry) and electrical machinery \$11bn (87.5 per cent from industry).

The chemical industry will spend \$9.8bn (94.2 per cent from industry); car and transport \$7.7bn (88.8 per cent from industry); and professional and scientific instrument companies \$7bn (83.6 cent from industry).

Details from Battelle Institute, Columbus Division, 505 King Avenue, Columbus.

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Welding with an electronic beam WENTGATE of St Ives, near

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IBM enters Risc business...

WITH THE introduction of the IBM RT PC this week, IBM became the first main-stream computer maker to take a gamble on reduced instruction set computer (Risc) architecture. IBM is taking an uncharac-

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teristic technology lead in this new and controversial style of computer architecture which has previously been adopted only by start-up innovators such as Pyramic Technology and Ridge

Computers.
Other big computer manufacturers are, bowever, expected to follow. Hewlett Packard, in particular, is understood to be preparing to launch a Rise-based successor to its line of microcomputers.

Digital Equipment, Data General, Sperry and Honey-well also reportedly have Risc

Louise Kehoe, in San Francisco, on the launch of a new type of CAD/CAM workstation

replace conventional computer architecture in the fore-sceable future, the applica-tion of Risc techniques in scientific and technical computers can be expected to grow rapidly now IBM has set its seal of approval on the concept. Basically, Risc, as the name

implies, is a computer that has fewer and simpler instructions than most. First developed at the IBM Thomas J. Watson Research Center in the early 1970s, the approach turns computer architecture

Over the past several years ting larger and more complex instruction sets have been developed. In contrast, Risc chips have small, simple sets of instructions.

Reducing the instruction cet of a computer is analogous to or a computer is analogous to restricting a person's vocabu-lary to a small number of short words. Charles Foun-dyller of Davatech, a research group in Cambridge, Massa-chusetts, says: "It's like pidgin English. If you say analogous of these short words." enough of those short words you can get lots of complex ideas across without having to know much English.

"And if you can say short words faster, then you may end up getting your ideas across more quickly."

In computer terms, short instructions are much faster

than long ones. And Rise re-searchers found that compu-ters use the same few basic instructions most of the time. This is particularly so in scientific and engineering applications where many of applications where many of the programs are produced by compilers (computer language translators) that do not take as much advantage of the "rich language" of complex instruction sets as the hand-written codes of business programs.

So the instruction set on the IBM RT PC microproces-sor is reduced to basic often-used commands, such as add, subtract, shift and compare, that it can execute in a single machine spale, short 172 machine cycle, about 176-billienths of a second. The micro's operation is speeded because it has fewer instructions to search through and its basic commands are easier

... and takes aim at a fledgling industry

WHENEVER IBM enters a new sector of the computer market, it threatens the established n threatens the established players. This week's introduc-tion of a high performance engineering workstation for computer aided design, manu-factore and engineering is no exception. The announcement is seen as

the next step in IBM's deter-mined efforts to conquer the market for engineering and technical computing where it is currently at its weakest.

With the IBM RT PC, IBM is muscling into a field dominated, until recently, by a band of start-up companies which have ridden the wave of success in a high growth market. Seles of engineering workstations are expected to grow from \$735m (£522m) last year to \$1.1bn in 1986 and \$2.5bn by 1989, says Detequest, a market research company.

Daisy Systems of Mountain View, California, Mentor Graphics of Portland, Oregon, and Valid Logic, of San Jose, California, pioneered the CAE workstation business and coutinue to be market leaders.

have developed CAD/CAM and CAE products for different man of Future Computing, a engineering problems. And two market research firm. "With more start-up companies, Apollo Computer of Chelmsford, between \$15,000 and \$20,000 Massachusetts, and Sun Microthat is balf a billion dollars in systems of Mountain View, sales." The base price of the



The desktop version of the IBM RT PC.

California, have built their RT PC is \$11,700, not including businesses on supplying workstation hardware.

Recently, Digital Equipment Corporation has also established itself as a big hardware supplier in the CAD/CAE market with its Microvax comupters.

IBM will have a big impact Dozens of software companies will sell 20,000 to 25,000 units," predicts Egil Juliussen, chair-

software or a monitor.

The role of the engineering workstation is essentially that of the engineer's personal comnature of his or her work, the engineer requires performance and features that are not found on general purpose PCs. Superb highly refined graphics capabilities are a must for complex circuit diagrams, drawings of three-dimensional designs and plots of complex data. Number crunching speed is needed to boil down chunks of numerical data.

The new IBM workstation

uses a proprietary 32-bit micro-processor that will be difficult processor that will be difficult for competitors to duplicate and a new operating system that combines AT & T's Unix with IBM-developed enhancements and 1 trillion (million million) characters of virtual memory. Up to eight users can share an RT PC using terminals. With an optional add on board, the RT PC can be made compatible with IBM's PC AT personal computer.

With the RT PC, IBM is offerwith the RT PC, IBM is onering several application programs, including its first integrated circuit design program and programs for developing complex drawings, processing, analysing and displaying numerical data such as geographical surfaces and subsurfaces for oil exploration.

Its success, however, will be largely determined by the will-ingness of third parties to de-velop software for it.

Charles Foundyller, of Davacharles Foundyller, of Davatech, a research group in Cambridge, Massachusetts, says:
"Although the RT PC is a very
capable piece of equipment it
will not be available until
March and it uses a new
operating system which could
delay the flow of essential software applications."

Both factors will give com-petitors a little breathing space—time in which to re-group and respond to IBM's new challenge, he says.

David Lascelles on an extraordinary banker

ALTHOUGH new technology is reshaping the banking business, root and branch, most UK banks are run by people trained as bankers rather than experts in computers and electronics.

A rare exception is Western Trust and Savings, a licensed deposit-taker based in Plymouth. Its new managing director, Mr Bill Murphy, spent his formative career years in computer technology. He specialised in banking later.

banking later.

Not that Mr Murphy is at an advanced age. Still only 38, be took over the top job last August and should live to see plenty more change in banking. But he and colleagues have already won Western Trust a reputation far beyond its size for typning neg technology. for turning new technology to good account.

good account.

He recently scored e coup by licensing a \$1m (£710,000) banking software package to Citibank Savings, the UK subsidiary of the New York banking giant, which prides litself on its technological excellence. "They evaluated the market very carefully. It'e an important endorsement for us," he said.

Mr Hurphy started his carego.

Mr Murphy started his career on the computing side of companies such as Hill Samuel and ICI. He moved to Citibank in the 1970s to work in its European Systems Group in France, Switzerland, the Gulf, Belgium and the UK, specialising in retail banking.

From 1976 to 1980 be worked in corporate banking in Brussels. Then he joined the Royal Bank of Canada, Canada's largest bank, which had just bought Western Trust and Savings as an entree into the UK retail banking market. Mr Murphy was given the job of automating it.

As hanks go, Western Trust was tiny: a balance sheet of £100m and about 30 branches scattered around southern England and the Midlands. But the Royal Bank was prepared to the Boyal and a supplemental million pounds. to invest several million pounds to make it one of the most technologically advanced banks in the UK.

"We have had the luxury of automating the bank from top to bottom," he says, "The Royal decided that having gone into the market it uveded a slick adminstrative base and a flexible customer service opera-tion."

Mr Murpby also decided to expand the bank by using tech-nology rather than bricks and mortar, Two things resulted: One was the creation of This is done through a subsidiary of Thorn EMI, to Tamar, a software system for terminal installed in the agent's market, instal and provide retail banking, which is now the basis of a service which the



Bill Murphy: a coup

Banking on a

bank is offering to other institutions. (Tamar is the name of the river separating Devon and Cornwall. The other is the bank's participation in the Link consortium, the ATM (eutomatic teller machine) sharing network of banks and building societies.

the user to keep a composite picture of a customer's relaand other dealings, like insur-ance, and personal details. This is seen to be a useful tool for marketing other financial ser-

is trying to set np agency banking with retailers which will enable them to offer financial services, such as loans, and act as an outlet for Western Trust's banking services.

premises and linked directly to after sales support to licensees Western Trust's computers in of the Tamar system.



high-tech expert

It is Tamar that bas been censed to Citibank, It enables tions with a bank: the state of his account, his borrowings

Armed with it, Western Trust

Plymouth. The programme has been designed so that non-banking retailers can understand the questions and feed in the right information. Mr Murphy says: "Banking is basically a very simple business, though dark-suited gentlemen like to make it mysterious. I'm not sure that banking will ever be fun. But we can make it

attractive and amenable to the consumer." He believes tech-nologists must put themselves in the consumer's shoes and make sure that technology is Western Trust's first deal was with Irish Life, the life insur

auce company which is using Tamar to expand its range of Snancial services. Other insurance companies are interested.

ance companies are interested.

Last month Western Trust signed ou Wickes, a chain of home improvement shops, for Tamar. Wickes' customers can get credit in its stores through hank terminals, and obtain mortgages and other financial services such as insurance. They can even open a bank account: the cheques are labelled Wickes but the small print makes clear Wickes is the bank's agent.

Mr Murphy sees scope for extending the service to other retailers, especially those with a good local reputation who will give the bank a strong start in new markets.

He is also aiming at small independent professional firms such as estate ageuts and solicitors who might want to offer financial services.

It is extending its reach through Liuk, which it helped found with National Girobank, Link now has 24 members, including many of the UK's largest building societies, Citibank Savings, American Express, Diners Club and the Co-op Bank, The first Link machines ere already working: there should be 1,000 of them by the end of the year, and possibly double that by the end of next, making it oue of the largest ATM networks in the

But technologically oriented though he is, Mr Murphy stresses that the bank is still basically in the business of retailing financial services, and that technology must remain a means to supplying them and uot an end in itself.
"We do not see ourselves

being directly in the software business," he said. Because of this, the bank has engaged Software Sciences, the software

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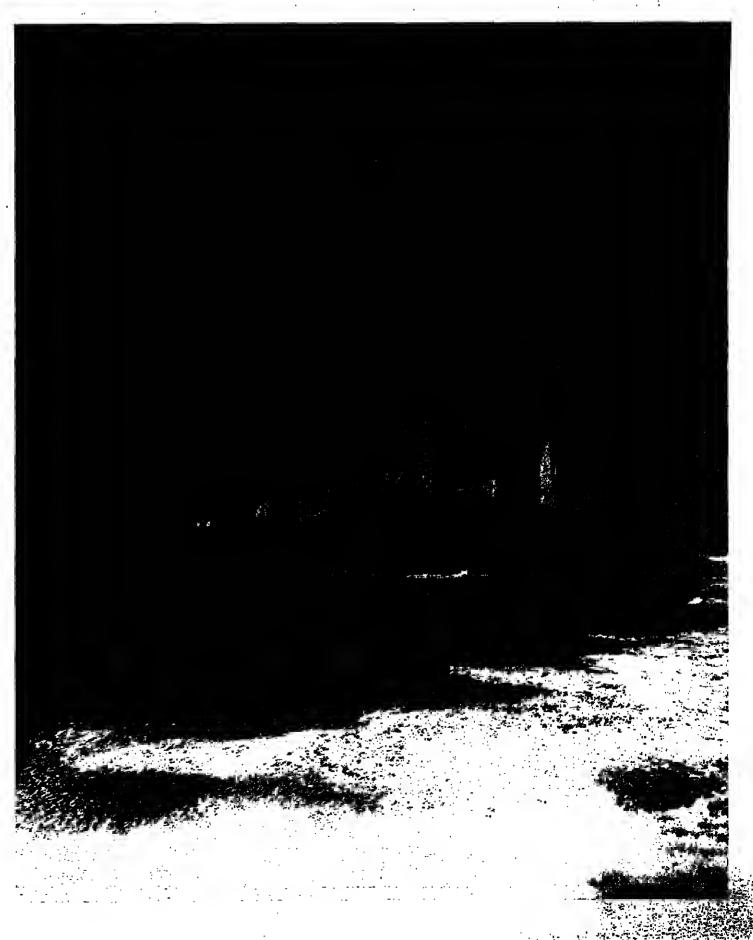
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Principal amount of Bonds purchased by the Company: U.S.\$ 204,000
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Cutting in a detached in Sandari.

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Transport Secretary who Energy efficiency has gained ground

IN A MORE settled political climate, Mr Nicholas Ridley, the Malcolm Rutherford talks which was that "it takes a little Transport Secretary, might have to Mr Nicholas Ridley more than 12 years on average been rather more in the news this week. He did, after all, announce to the House of Commons the agreement on the Channel tunnel, some-thing which is likely to be around

long after present turbulence has died down.

Mr Ridley is an odd figure in Mrs Margaret Thatcher's Cabinet. He was a rebel against Mr Edward Heath when the previous Tory Gov-ernment turned interventionist about industry in 1972-74. He is widely credited with having advised Mrs Thatcher on how to deal with unruly trades unions during the period of Conservative opposition. But he was given only a junior job at the Foreign Office when the Tories returned in 1979. Recently he has

gone from strength to strength.

The Foreign Office, be says now, was a sabbatical, but a useful one. It taught him to negotiate. He dealt with Belize and its problems with neighbouring Guatemala successfully. He dealt with the Falklands and Argentina unsuccessfully, but through no fault of his own. It was the House of Commons that turned down his lease-back idea which, if it had been accepted, would have pre-vented the Falklands war.

He had a brief stint at the Treasury as Financial Secretary. On about his first day, the chief perma-nent official told him that interest rates were going up by two percent-age points. "So what?" he replied. Interest rates, be says, are always either going up or coming down, an attitude he claims still to hold even

He went to Transport and into the Cabinet after the Cecil Parkinson scandal in October 1983. From there he has some title to say that he has resolved one problem after another. At least he has taken the heat out of them: airports, bypass roads, deregulation of airlines and now the Channel tunnel.

which Mr Ridley says he learnt at has been going on over the pro-the Foreign Office. It has two parts, One is based on the doctrine of ripe well and has been avoided over the or unripe time. If the time is ripe, you must seize the opportunity. But there is also a matter of political and intellectual judgment. On the cause, in the Falklands he was intellectually who decides. right, but politically wrong in the sense that the settlement he was that there was an "alliance of objec-

(below)



working for was unacceptable to Parliament.

: is based on the deliberate creation of doubt. If you are in a complex negotiation. Mr Ridley says, you must first persuade all the protagonists that it is likely to fail. It means suggesting confusion in your own mind as well.

thing from the wreck. In that way yoù can establish the bottom line of all the parties involved. Then you can start negotiating again, this

That was more or less what happened in the re-allocation of routes tween British Airways and British Caledonian. It bappened again on airports policy, where Mr Ridley gave something to almost everyone: don; and a sop to the northern

It also means not settling everything at once. Airports policy will come again in the early 1990s if air travel continues to grow. But at least it means that you have settled

Mr Ridley has a rooted objection to public inquiries of the kind that Channel tunnel. He says that they take too much time and that ultimately they are not democratic because, in the end, it is the minister

He said in a speech last summer

the state of the s

from conception to birth, to build a new road... We have brought a sort of paralysis upon ourselves in the matter of getting things built."

The Channel tunnel is part of the step-by-step approach. Once the British and French governments had decided they wanted to build something, they went alread and drew up the specifications. Mrs Thatcher would have preferred a road link, as would the French. The two sides decided, however, that it would not be practical at present There were geological difficulties and the finance was not certain. The British Prime Minister seems to have played very little part in the

The procedure will still be democratic, Mr Ridley says, because a bill has to go through both Houses of Parliament. It will be a hybrid, which means a public bill that may in certain respects affect private

That means in turn that there You tell everyone that they have will have to be a special select comlost, and then you ask whether it might be possible to rescue somemight be possible to rescue somement of Transport - obliged to hear petitions from anyone with a rethe project. It will be at least the spring of 1987 before the proceedings are finished.

Airport policy and the Channel tunnel are the big subjects, but there are others. Mr Ridley identifies a relatively new problem; how to deal with the development of the infrastructure by the private sector. some expansion at Stansted, north

It is coming up again in the next
of London; some at Heathrow, Lonweek or two when the Government publishes the guidelines for the competition to build the new Dartford tunnel under the Thames east of London, and probably again in London's Docklands. The Government specifies the broad frame-work: then the private sector

> The Transport Secretary has no plans for the privatisation of British Rail and, indeed, thinks it would be impossible. But, he says, it is a matter of bringing in outsiders and sub-contractors. "It's like mousetraps," he claims. "You might build the best mousetraps in the world, but you would consult somebody else about legal advice or building new plant." New trains for Channel tunnel, Page 9 .

[Advertisement]

industry sets £1bn business target

BY MAURICE SAMUELSON

REPRESENTATIVES of Britain's dustry forecast yesterday that within 10 years £1bn worth of annual energy spending in public buildings and factories would be administrated by constitution of the control of the control

gy, part of British Petroleum; Em-star, part of Shell UK; and Associat-ed Heat Services, an independent company originally founded by the National Coal Board to promote efficient use of solid fuel. Emstar has secured about £25m

worth of contracts since it was founded less than two years ago. BP Energy, launched in October 1984, is active in schools, hospitals,

Developments in the US suggest fast growing energy efficiency in that the sector could expand rapid11

The target was announced in London when nine competing energy management concerns, led by subsidiaries of British Petroleum and Shell UK, said they was to co-operate as a separate group within ESTA, the trade association for the suppliers of equipment and know-how for efficient energy use.

Mr Petor Walker, Energy Sacra-

and Shell UK, said they were to co- tary, said the move should help his operate to overcome resistance to campaign to stop Britain wasting energy efficiency in the private and public sectors. The contract companies claim to offer energy savings to clients that beve insufficient management time or skill to achieve them unaided.

Where necessary, they uprate clients heating systems or bring in their own mobile combustion equipment and the contractor assur any risks associated with achieving the expected energy savings. Mr Richard Tinson, Emstar man-

old people's homes, offices, facto- aging director, said most of its busiries, laundries, shopping centres, ness had been in the private con-hotels and other large establish-but it hoped to pick up large con-tracts in the public sector.

Tax relief on N. Sea closures 'insufficient'

THE PROVISION for the running and to ensure that abandoned fields down and abandonment of North do not cause pollution.

Sea oil fields are inequitable and The authors estimate the costs at need to be thoroughly revised, according to a study from Aberdeen than \$600m per field.

University, published today.

Under present rules the cost of

Accountancy; a magazine aimed at accountants in the European industry, suggest that the reliefs for comdown allowance against corporation down allowance against corporation panies abandoning fields need to be tax, assuming the company contin-more closely related to the taxes ues to trade. paid by their operators.

. The authors, Professor Alexander Kemp and Mr David Rose, say very large sums (even by oil industry also available.
standards) will have to be spent in closing Fields in the North Sea.

Subsea Technology, a subsidiary of the French Alsthom engineering

them maintain such invest matters. The Covernment's

The results, published in the first abandoning fields can be set issue of the Journal of Oil and Gas against tax liabilities. Expenditures

Reliefs against Petroleum Revenue Tax and royalty payments are also available.

The money will be needed to re- group, is to expand its Scottish base move well-head structures which on the Firth of Forth in a joint vencould become hazards to shipping, ture with the National Coal Board.

Japan's economy for 1986 shifting to domestic demand-led growth by the appreciated yen

Although the Japanese economy had steadily been expanding through the middle of 1965 since the spring of 1963, the growth momentum markedly slowed toward the closing months of the year. How will it fare in 1986?

Environments around the Japanese economy in 1986

The world economy is expected to see moderate growth in 1986 mainly because of the lackhaster U.S. economy. The Japanese yen, which sharply appreciated against the U.S. dollar in the fall of 1985, will stabilize at around the current level of 200 against the dollar by the concerted action of the major industrial countries. On the economic policy front,

the Japanese Government wilt take steps to foster the private sector's growth in an attempt to prop up the economy while maintaining its fiscal re-habilitation stance. Along with the stabilization of the yen at around 200, the policy of guid-ing short-term interest rates higher is likely to be gradually scrapped.

Exports to slow down markedly

Exports, which have been sup-porting business expansion since 1983, seem certain to slow down markedly in 1986 because of the low growth of the world economy, and the lowering of export price competitiveness due to the higher yen.

On the other hand, imports appreciated yen lowers import prices and the "Action Pro-gram" tincluding tariff reduction and import procedure simplification) will promote im-ports of manufactured goods. However, imports of oil, which account for 30 per cent of Japan's total imports, are like-ly to increase a bit. All in all, imports will see a moderate growth next year.

As for the international balance of payments (dollar base), the expansion trend to trade balance will be main-tained in 1986 because: (1) Japan's exports, which are 50 per cent larger in value than imports, easily cancel out a small gain in them; and (2) yen-denominated exports, which account for 40 per cent of Japan's total exports, translate into higher dollar value. Itmports are mostly dollardenominated.)

Reflecting the expansion of Japan's net external balance, interest and dividend income from abroad will increase fur-ther to reduce the deficit in the invisible trade belance. As a result, Japan will continue to

Capital spending

Growth in domestic private

Head Office 1:3, Ucrashead of Course, Chiquos 49, 104/0 100, Japan 161, ISA 1999-1111 manuscript of Chicas in Houston, San Funcicio, 105 Angeles, Chicago, Parama, Dusceldorf, Toper, Seoul, Singapore, Hung Kong, Representative Offices in: Houston, San Funcicio, Alfanta, Toronto, San Paulo, Menco Chy, Caratas, Buenos Ares, Fundur Pars, Maind, Shocksim, Bahran, Jakanta, Isaata, Ruala Lumbur, Bangkok, Beigng, Shanghas, Cuangdhou, Sydney, Mictorume, Substitutives for Los Angeles, Toronto, Amsterdam, Zunch, Hong Kong, Sydney Associated Companies in: São Paulo, Hong Kong, Bangkok, Singapore, Nade Lumpur, Jakanta, Bhansa



Note: Each factor's percentage point contribution to real

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demand is expected to drop slightly in 1986. Since the last half of 1985, the corporate sector has seen sales and earnings slow, fewer shipments abroad and slackened investment activities. These trends are likely to intensify in 1986. Corporate sales are expected

to slow down markedly, af-fected by a dent in demand growth both in Japan and

main firm in 1986, although the growth rate will slow down The household sector in 1986

ment. : Under . . these - cir-

comstances, private blant and

will seemingly be placed in a more severe situation than in the preceding year. Small inne gain can be expected in the Shunto spring labor of fensive. Reflecting a slowdown in the economy, allowances for overtime and summer and winter bonuses are expected to mark time, and employ-ment will grow at a slower pace. On the contrary, a strong favorable fector for the per-sonal consumption is antihousing investment promotion policy as one of its domestic demand expansion measures also 1986. Housing investment is expecied to increase further if these favorable conditions are offered, considering the strong potential Gemand for the im-

Economy faces adjustment phase

Taking these analyses into consideration, Dai-Ichi Kaogyo Bank predicts that Japan's real economic growth rate in fiscal 1986 will slow down to 3.0 per cent from the estimated 4.2 per cent to fiscal 1985 and the 5.0 per cent in fiscal 1984. The Japa-nese economy will face an ad-justment phase for the first time m the four years since 1982.

Outlook of Japanese Economy for Fiscal 1986 . (Year-to-year change unless otherwise specified)

	FYt984 tactual1	FY 1965	FY 1966
Nominal gross national expenditures (%)	Cactuari	(estimate t	i ou 1 look)
Pool starts without any angles of the control of th	+ 8.7	+ 5.6	+ 3.7
Real gross national expenditures (%)	+ 5.0	+ 4.2	+ 3.0
Domestic private demand		+ 44	+ 3.9
	(+ 3.61	(+ 3.51	(+ 3.t)
Private final consumption expenditures	+ 2.6	+ 28	+ 3.2
Private housing investment	+ 0.4	+ 42	+ 4.9
Private plant and equipment investment	+ t0.9	+tt.2	+ 63
Increase in stocks	+86.0	-29.2	-11.7
Governmental demand	+ 0.6	~ 0.7	+ 2.9
	(+0.1)	I- 0.tz	(+ 0.5)
Government final consumption expenditures	+ 2.3	+ 2.7	+ 3.2
Governmental fixed capital formation	- 3.0	- 4.8	
Surplus of the nation on current account	+49.2	+24.6	+ 3.2
	(+ 13)	· 1+ 0.91·	-13.5
Exports etc.	+15.8	· 1+ 0.91	(U.61
tmports etc.	T13.6		+ 0.9
Production and prices (%)	+10.0	0.t	+ 5.1
Mining-manufacturing production			
Wholesale reviews		+ 4.t	+ 30
Consumer prices	+ 0.2	— 3.2	4.5
Consumer prices Balance of payments 15 billion 1	+ 2.2	+ t.9	+ 1.3
Current account balance.	37.0	53.6	58 0
Trade balance	45.8	59.3	64.0

Notes: On the base of 1980 for gross national expenditures. Contribution ratio in parenth

cipated. That is a slowdown in

Stable prices will be a skid to

consumption as they keep real consumer income higher. In addition, an increase io real fi-

nancial assets is expected to in-crease the propensity to con-sume. All lold, private con-

sumption is likely to pick up its

Housing investment will con-

abroad. The lowering of operating rates will worsen profit-ability. The appreciated yen will seriously affect export-oriented businesses, while it will be a boon to those who use a large amount of oil and other imported energy. Overall, the higher yen will be a drag on corporate profitability.

Murroring the market environment, tusinesses will hold down their investments for expansion. The intensitying technological competition, how-ever, will force them to con-

tinue to spend capital for research and development and rationalization. Besides, con-

tinue to increase. Prices of con-struction materials will be sta-

bulized and interest rates on housing loans will be kept low due to easy money. There will be no big change in these basic

be a transition period for the Japanese economy in shifting from conventional "export led led growth." Optimism is not warranted, however. The task of rehabilitating finances as well as the need to maintain a higher yen bind the authorsures to prop up businesses. Under these restrictions, the biggest task for Japan will be finding a way to respond to demands from abroad and at home that domestic demand be

No Re

The year 1986 can be said to

Talk it over with DKB. The international bank that listens



The next DKB monthly report will appear Feb. 24.



Strike nears as Murdoch print talks collapse

STRIKE ACTION et News Interna- employment to be signed once the tional (NI) newspapers in the UK now seems inevitable after the breakdown of talks yesterday between Mr Rupert Murdoch, the group's chairman, and four print

ficiency ets £15

on V. Sea

The group's Sunday papers - The Sunday Times and the News of the World - are the most likely targets, with the strike set to spread to The Times and The Sun next week. Mr Murdoch said after the talks that the breakdown was "tragic" and that a strike was "very likely. I

think the unions are determined to Ms Brenda Dean, general secre-tary of Sogat '82, said that the pro-posals presented by Mr Murdoch for printers at the existing NI sites in London were "even worse" than those demanded for the new printng plant in Wapping, east London. Mr Murdoch told the unions that he was looking for "thousands" of

existing contracts ran out in July would be legally binding. However, he also offered a minimum of five year e security of employment for those printers left in the company. Levies are already being taken at national newspaper chapels (union branches) and calls are being made

for pickets and for "local action

to stop distribution

groups" to stop (Leaders of the five print unions including Mr Eric Hammond, gen-eral secretary of the electricians' union the EETPU, will meet today with Mr Norman Willis, the general secretary of the Trades Union Con-gress (TUC) to discuss the worsen-

ing position.
The EETPU - which was not represented at yesterday's meeting with Mr Murdoch - has softened its anti-TUC stance by postponing a meeting with NI next Wednesday. in deference to Mr Willis's request redundancies from the 6,000 labour for no unilsteral meeting force and that future contracts of unions and the company. for no unilateral meeting between

New paper planned

ANOTHER new Sunday newspa- and Sunday People market, is due per, with the working title of the Sunday Globe, is being planned for launch in the spring. The project is being put together by Mr Nicholas Leonard, a director and London editor of the Irish Independent Newspaper Grono.

go ahead with the colour tabloid, concentrating on entertainment have to fight its way in an increas-and aimed at the Sunday Mirror ingly crowded market.

to be taken in early February. The longer term aim, if the pro ject is successful, would be to turn it into a national daily. It is believed that several leading

regional newspaper groups and City of London institutions are in A decision on whether on not to terested in the venture. If the Globe goes ahead it will

Unions at Ford back new pay deal

By David Thomas, Labour Staff

FORD UNION leaders yesterday decided to recommend acceptance of improvements to the company's pay and productivity offer, which it had described as "final" before

Ford increased its pay offer by 2% percentage points and dropped its insistence that individual workers must sign their acceptance of the company's productivity proposals. Mr Mick Murpby, chairman of the union negotiating side, called the improved offer a major climb-

down" by the company. The unions attributed the imoved offer to the two to one vote for industrial action by Ford's manual workers in a secret ballot under terms of the 1984 Trade Union Act. Previous offers were voted on by Ford's workers at mass

. The new offer gives increases of between 18 and 18 per cent over two

The first year will see a 5% per cent increase on basic rates plus an extra 2 per cent for about 10,000 assembly line workers, with an extra 4 per cent all round on offer for radical changes in working practices.

In the second year there will be a further 6 per cent rise all round.

Mr Paul Roots, Ford industrial relations director, said: "The secret ballot put the unions in a much were completely free of the usual criticisms such as rigging ballots."

The unions and the company are to hold further discussions about Ford's radical proposals for removing demarcations and improving

Coats Patons' shares rise after University chiefs confirmation of bid approach

COATS PATONS share price rose agement level. by 53p to 201p in London yesterday after an approach from an un-

The Glasgow-based company is the second largest vertically integrated fibres-to-clothes textile concern in the UK, with a turnover in 1984 of £1.08bn. It confirmed it had received an approach but dampened speculation that an announce ment would be made before early

next week. Morgan Grenfell, its merchant bank, last night confirmed the approach because, it said, "it was necsary to say something following the share price movement to prevent a false market happening.

It would give no clue to the identity of the suitar other than to say that the approach was "more of a merger than a bid. Indeed, nearer a marriage." It stated that there was

This suggests that the approach pend overseas. is from within the industry rather than outside. Vantona Viyella, Tootal and Illingworth Morris all denied having made a bid or being as sociated with a bid. But Courtaulds, the world's largest integrated tex-

comment "We never make any comments on market rumours," the company

Within the City of London the news of the approach did not come As a surprise.

target for a bid in the textiles sector for some time." de Zoete & Bevan Although Coats Patons is bestknown for its threads and sewin products, it has a widely diversified

national producer anxious to ex Its most famous retail names are

Jaeger and Country Casuals in clothing, Byford in knitwear, Lady J & P Coats in threads. Last month Miss Jean Muir, on

tiles-to-clothes concero, refused to of the UK's most famous fashion de signers, sold e controlling interest in her business to the concern. It is thought Coats wants to develop the Laura Ashlev.

Two thirds of Coats' turnover originates abroad, with particularly strong markets in continental Eu-rope and North America.

The great profit spinner, though Latin America where a turnove of £84.7m in 1984 produced a profit of £33.3m, a quarter of the total profit for the year of £125.8m.
At last night's price of 201p, Coats tract a counter-hid from a purely is capitalised at £557m.

Move to change inner-city aid

THE GOVERNMENT is planning to Minister, is understood to have giv-take powers allowing it to deprive en enthusiastic support to the bill. take powers allowing it to deprive some Labour-run local authorities of control over grants paid to pri-vate sector developers in the inner

Mr Kenneth Baker, the Environment Secretary, has added the new powers to the Housing and Plan-ning Bill due to be published today. The bill also gives the Government power to direct councils to abolish virtually all planning controls in

Ministers say the hill is intended as a two-sided attack on delays in inner city development projects caused by "obstructive" local au-

Mrs Margaret Thatcher, Prime

which will have its second reading in the House of Commons in two weeks' time and should be law by

The bill will introduce a system of urban regeneration grants under which developers will be able to apply directly to ministers for sub-

Grants will be for up to 25 per cent on the capital cost of projects, but the emphasis will be on largescale redevelopment of whole areas

rather than on single buildings. The provision of jobs and housing will be an important criteria for

The scheme will be initially

funded from the Urban Pro-gramme, for which the Environent Department has been allocat ed £320m this year. If grants start in the summer, as

anticipated, this will inevitably mean that money will have to be di verted from some of the more man ginal Urban Programme projects. Ministers are confident, however that new money will be allocated by

the Treasury for 1987-88.

The scheme will allow minister to bypass authorities that are said to have been less than enthusiastic in channelling public money to pri vate developers.

The main "culprits" are said to be Manchester, Liverpool and some of

demand reform of funding policies

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

UNIVERSITIES could not be satismade more effective, with the funding ministers that proposed for the next decade, the committee of vice chancellors and principals said yesterday in its reply to the Government's Green Paper (discussion

which was published in July.

The higher education leaders urged immediate changes in the policy outlined by Sir Keith Joseph, the Education Secretary, and called on him to:

 Keep the number of British-domiciled university students at least at the present 250,000-plus in-stead of reducing it year by year until 1995 in line with the declining 18year-old population. Guarantee the universities an an-

nual grant, to cover their opera-tional costs, of a minimum of the current level of £1.4bn in real terms instead of cutting it by 10 per cent

over the next five years.

Provide increases of at least a quarter in the additional grants of

equipment and £25m for buildings. Raise government investment in long-term research - most of which is done in universities - in line with ministers' projections of a 20 to 25 per cent growth in gross domestic product over the next decade.

 Change the tax laws to encourage organisations and individuals to give money to higher education and to make fees for vocational training courses an allowable tax expense.

 Reform the student-financing the universities systems for emsystem so that young people again have enough money to live on while studying, if necessary by introduc-

ing repayable loans in addition to

Higher education was not a luxunumbers studying engineering and science, but the national interest required that there should be no undervaluing of the humanities

It was equally important to reinforce Britain's research and development activity, much of which

takes place in universities. Expenditure on that, excluding military projects, was running at only 1.6 per cent of gross domestic product compared with 2 per cent in the US and 2.5 per cent in Germany

and in Japan. But the institutions did not denthe need to improve their effective ness. Universities needed to be more flexible about admitting students to give schools room to broaden pupils' curriculums to include literate and numerate studies up to the age of 18.

The institutions were not doing enough to develop students' per sonal skills

A further increase in links with companes to improve the transfer of technology from academic laboratories to industry was required. as were links between universities to avoid duplication. Company managers would have to be more willing to take the initiative in collabora tion to improve employees' training

Cuts in spending on research bad led to a reduction of about a tenth in the number of British-domiciled students taking master and doctorate degrees. There was a need for changes in

ploying academic staff. The Future of the Universities, committee of vice chancellors and principals, 29 Tavistock Sq., London WC1H 9EZ, E1.

AIR CALL

Britain, France plan high-speed trains

BY ANDREW FISHER, TRANSPORT CORRESPONDENT

speed trains that are twice the track upgrading.

length of those now used in the UK. It foresees a rail travel market will be jointly developed by Britain far greater than the 3m passe and France for services through the proposed Channel tunnel in the

They will be able to carry some 750 passengers at peak periods and ket could rise to 12m passengers a will be ebout 400 metres long. British Rail's (BR) present high-speed carry about 350 people. Mr Nicholas Ridley, UK Trans-port Secretary, pushed hard in last

week's final negotiations on the tunnel for a rail development deal in which both countries would share equally, although France wanted its own fast train technolo The two countries will invest

about £1bn, at today's prices, in

equipment, track and station facilities. BR's share will be around £400m, as it needs to spend less on the railway infrastructure. BR will spend roughly £200m. each on rolling stock and locomotives and on station and track improvements. This will include a new

international terminal at London's

Waterloo Station, increased passen-

joint venture in the US with Alcoa, the US aluminium producer, to

ed by Metal Box at its research es-

tablished at Wantage, Berkshire,

Although Metal Box has been in-

volved in plastic packaging in the UK for 30 years, its plastics business in the US has only just got off the ground with the test-marketing

of Coca-Cola in plastic bottles in Co-

BY JOHN GRIFFITHS

engineering technology

nanufacturing industry."

AUSTIN ROVER said yesterday

that it had spent more than £100m

since 1982 on computer-integrated

claimed that it now had European leadership in the application of computers to vehicle design.

Mr Harold Musgrove; chairman

and chief executive, said the compa-

ny was in the middle of "a techno-

ogical revolution which is light

years ewey from the old concept of

Austin Rover was describing the

technology strategy which it ex-

pects to take it into the 1990s. It is

based on the use of a common coin-shoulder.

However, the group has other US

make plastic food packaging.

west of London

Metal Box and Alcoa

BY TONY JACKSON IN LONDON AND TERRY DODSWORTH IN NEW

The venture will involve the manufacture at several US sites of new forms of plastic packaging developed by Metal Box at its research es-

Austin Rover spends

£100m on computers

in plastics venture

A NEW GENERATION of high-ger facilities at Ashford, Kent, and

now-crossing the Channel in both direction by rail and ferry or hov-ercreft. Mr David Kirby, joint managing director of BR, said the mar year when the tunnel opened in 1993, rising to 16m later.

that is aerodynamically efficient, he added. Trains will travel through the tunnel at about 100 mph in 20 minutes Both RR and French Railways (SNCF) hope Customs and immigration checks can be carried out

Passengers should be able to travel between London and Paris or Brussels in just over three hours cutting two hours off the present fastest journey times by rail and hovercraft (to Paris), or by rail and

jetfoil (to Brusseis).

About 40 new trains will be needed, capable of operating on the different electrification systems of Britain, France, Belgium and other Eu ropean countries. They will run at e maximum frequency of four an

packaging to engineering, which last year produced trading profits of

Mr Brian Smith, Metal Box's ner chairman, said the Alcos deal

Sites for US plants for the joint

puterised database for all aspects of the manufacturing process, from in-itial design to final assembly and

embracing component production

Mr Musgrove said the technolog

had been developed to the poin

where new model lead times had

been cut to under four years, with

an enhanced ability for more fre-

quent model facelifts and an in-

creased number of model deriva-

The company said it had experi enced "enormous advantages" from

"having Houda looking over our

by outside suppliers.

venture have not vet been ch

£11.6m on sales of £187m.

Molins to transfer production

chinery manufacturer, yesterday announced that it intended to close its manufacturing plant in Dept-ford, South London and transfer operations to its plant to Saunderton, Buckinghamshire, with a new group headquarters at Milton Keynes, north-west of London, writes Lisa Wood.

The Deptford plant, employing aging machinery. Molins stresse yesterday that it was in discussion with unions and as many jobs as sible would be transferred to its other plants. The move would be

Last December a £49.8m man ment buy out failed at Molins, The buy-out move was largely prompte by BAT Industries, which holds a 29.9 per cent stake in the business, when it indicated that it did not view the shareholding as part of its ing-term interests.

Molins, which sells more tha per cent of its products abroad to private and state-owned cigarette makers, has been on a declining profit trend in recent years. In 1984 it recorded pre-tax profits of £8m ared with £12m in 1978.

Over the last 16 months Molins under strong competitive pressure in its world markets, has closed a production plant in Northern Ire-land and made nearly 1,000 of its

I TALKS aimed at settling the teachers' pay dispute in England and Wales resume today at the conciliation service Acas, with the em-ployers expected to improve their pay offer but on strict conditions. The employers are likely to say they will go beyond the last offer of 6.9 per cent this year, or 7.5 per cent in a full year, only if there is a guar-anteed end to disruptive action in schools and a commitment by the unions to enter negotiations on sal-

In a separate statement, Meta-I HAWKER SIDDELEY has de-Box said it was considering the sale ed reports that the Ministry of of Metal Box Can, its US beverage Defence put pressure on it to bid for The operation consists of one me dockyard at Devouport, south-west England. About 2,000 engineering workers walked out in protest at ized can-making plant at Carson, outside Los Angeles, whose entire output of 1bn cans a year is taken by Pepsi Cola. the privatisation plans, as represen-tatives of Hawker and the US-owned Foster Wheeler group visited

> . It has also been announced that Sir Arnold Hall, Hawker chairman and one of the leading industrialists of the post-war period, is to retire in May.

DA PROFESSIONAL fraud investi gator has been recruited by the Government's Export Credits Guarantee Department (ECGD) to work in a newly created internal "fraud squad aimed at deterring fraud by ECGD staff and outsiders and at launching inquiries into specific suspected cases of fraud or mai-

D A SPECIAL delegates conference of the Civil and Public Services Association, the biggest Civil Service union, yesterday voted to reject the Government's offer of a pay determination system for civil servants and to prepare for an all-out nation al strike by the end of April.

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Kinnock

assault on

Dunsinane

LABOUR LEADER Neil Kin-

nock cast aside Welsh rhetoric and drew a Shake-

rhetoric and drew a share-spearien analogy when Mrs Thatcher hed finished her extraordinary statement to the House of Commons Approprietely enough, he took his text from Macbeth, that dark work which is reputed

to bring bad luck on those

who stage it.

The Opposition parties and some Tory MPs listened with scornful incredulity to the Prime Minister's account of how No 10 and the Department of Trade and Industry

had authorised the leak of the Solicitor General's letter on Westland without her know-

leads

Full text of the Prime Minister's statement to the Commons

the outcome of the inquiry into covering some of the same the disclosure of certain ground as my own reply to Sir information in my Honourable John Cuckney. The texts of the and Learned Friend the Solicitor General's letter of January 6.

My Right Honourable Friend's Street Reply Right Honourable Friend's Right Honourable Right Honourab

As the House knows, the chairman of Westland, Sir John Westland would no longer be considered a European company by the Government if a minority sharebolding in the company were held by a major international group from a Nato country obiside.

international group from a Nato country ontside Europe.
This question was of fundamental importance to the company in making its decision as to what course it was best to follow in the interests of the follow in the interests of tha company and its employees.

It was therefore essential to be sure that my reply should

be in no way misleading to any-one who might rely on it in making commercial judgments and decisions.

and decisions.

The reply was accordingly considered among the departments eoncerned, and the text of my letter of January 1, 1986 was agreed in detail by my Right Honourable and Learned the Secretary of State of my letter of Jannary 1, 1986 was agreed in detail by my ate in any material particular. "On the basis of the information the Secretary of State for Trade and Industry, my Right Honourable Friends that then Secretary of State for Defence and the Chief Secretary, Treasury, and finally by my Honourable and Learned Friend the Solicitor General.

the Prime Minister, made the following statement to the Defence replied to a letter of House of Commons yesterday:
With permission, Mr Speaker, of Lloyds Merchant Bank asking him to make a statement on the same date from Mr Horne of Lloyds Merchant Bank asking him a number of questions, the same of the sa ground as my own reply to Sir John Cuckney. The texts of the letters became public that sama

reply was not cleared or even discussed with the relevant

on the morning of January
6 My Honourable and Learned
Friend the Solicitor General
wrote to my Right Honourable Friend tha then Secretary of State for Defence.
He said—and I quote: "It is

He said—and I quote: "It is foreseeahle that your letter will he relled upon hy the Westland board and its shareholders. "Consistently with the advice I gave to the Prime Minister on December 31, the Government is such as in the contract of the prime with the said of the prime with the contract of the prime w in such circumstances is under a duty not to give information

I have quoted extensively from the letter which was published a week ago. As I have already indicated, it was especially important in this

situation for statements made on behalf of the Government, on which commercial judgments might be based, to he accurate and in no way misleading.

and in no way misleading.

That being so, it was a matter of duty that it should be made known publicly that there were thought to be material inaccuracies which needed to be corrected in my Right Honourable Friend the Member for Henley's [Mr Heseltine] letter of January 3, which as the House will recall had already been made public.

Moreover, it was urgent that it should hecome public know-ledge before 4.00 pm that after-noon, January 6, when Sir John Cuckney was due to hold a press conference to announce the Westland hoard'a recommendation to shareholders of a revised proposal from the United Techproposal from the United Technologies Corporation/Fiat con-

These considerations were very much in the mind of my Right Honourable and Learned Friend the Secretary of State for Trade and Industry when the copy of the Solicitor General's letter was brancht to his otton. letter was hrought to his otten-tion at about 1.30 that afternoon of January 6.

He took the view that the urgency of the matter the fact that the Solicitor General disclosure should be made by

the disclosure should be made, and if so whether it should be made from 10 Downing Street as ha said he would prefer. He made it clear that, subject to the agreement of my office, he was giving authority for the disclosure to be made from the Department of Trade and Industry, if it was not made from 10 Downing Street.

He expressed no view as to the form in which the disclosure abould he made, though it was clear to all concerned that in the circumstances it was not possible to proceed by way of an agreed statement.

My office were accordingly approached.

They did not seek my agreement: they considered—and they were right—that I should agree with my Right Honourable Friend, the Secretary of State for Trade and Industry, that the fact that the then Defence Secretary's letter of Defence Secretary's letter of January 3 was thought by tha Solicitor General to contain material inaccuracies which needed to be corrected, should become public knowledge as soon as possible, and before Sir John Cuckney's press confer-

It was eccepted that the Department of Trade and Industry abould disclose that fact that the Source of the then Secretary of State for Defence and cation to the Press Association.

I should have said that a should have said that a said that the opinion he had expressed I should have said that a should be hrought into the different way must be found of public domain as soon as making the relevant facts



Mrs Margaret Thatcher: Information had to go into public

Mr Speaker, my Right Hon-ourable and Learned Friend ment of Trade and Industry acted in good faith in the know-ledge that they had the anthority of their Secretary of the Secretary of Stale for Trada and Industry was in my judg-ment right in thinking that it was important that the possible State and cover from my office existence of material inaccura-cies in the then Secretary of

An official of the department accordingly told a representa-tive of the Press Association of my Honourable and Learned Friend the Solicitor General's letter and material elements of what it said. The company was my Honourable and Learned accuracies in the respects I public domain as soon as making the relevant facts what it said. The company was riend the Solicitor General.

My letter was made public.

My letter was made public.

Two days later, on January write again to Mr Horne cordiscuss with my office whether of the evidence, that the Departage is the relevant facts what it said. The company was also informed. The information the light was on the Press Association.

Insofar as whet my office said to the Department of Trade and

lief that I should have taken that view, had I been consulted,

that view, had I been consuited, they were right.

My Right Honourable and Learned Friend the Attorney General has authorised me to inform the House that, having considered the report by the Hesd of the Civil Service, and on the material before him, he has decided after consultation with, and with the full agreewith, and with the full agree-ment of, the Director of Public Prosecutions and Seulor Prosecutions and Seulor Treasury Counsel, that there is no justification for tha institu-tion of proceedings under the Official Secrets Act in respect of eny of the persons concerned in this matter.

In order that there should be no impediment to co-operation in the inquiry, my Right Honourable and Learned Friend bad authorised the Head of the Civil Service to tell ona of the Civil Service to tell ona of the officials concerned, whose testimony would be vital to the inquiry, that he hed my Right Honourable and Learned Friend's euthority to say that, provided that he received full co-operation in his inquiry, the official concerned would not be prosecuted in respect of any-thing said during the course of the inquiry.

The Head of the Civil Service did indeed receive full co-operation not only from that officiel bot from all concerned. My Right Hononrable and Learned Friend tells me that he is satisfied that that in no way interfered with he course of justice: on the facts as disclosed in the incriry, there would have been no question of proceeding against the official con-cerned.

SEICE

From the way the greeted thia latest bizarre episode, it was evident that the Westland drama, which has had strong elements of farce, was taking a grim turn towards Shakespearian

tragedy. The words subterfuge, shahby and sordid flew through an atmosphere thick with intrigue and suspicion.

intrigue and suspicion.

Mr Kionock encapsulated the feelings of many when he asked why it was necessary to hold an inquiry when everyone in the drama seemed to know of the decision to leak the letter. The only comparable precedent, be believed, was the way in which Macbeth murdered Duncan and then ordered a source save the severe. spurious search for the assassins in order to deflect auspicion from himself. Presumably with Lady Macbeth in mind, Mr Kinnock Insisted that the stain of guilt would remain with the Prime Minis-ter for the rest of her

Facing damaging questions from the Opposition and from several Tories, Mrs Thatcher underwent the most harrowing 50-minute ordeal of her

premiership. Ve had been led to believe that she would put up a robust performance and come out "with guns blazing." from it. For much of the time, the Iron Lady was forced on to the defensive and seemed hesitant and unsure of herself.

Her defence against her accusers could be summed up in the words of Macbeth; "Thon caust not say I did it; never shake thy gory locks at me."

Throughout these exchanges, Trade and Industry Secretary Leon Brittan, whose blood may be spilled before the final curtain, sat gloomily beside the Prime Minister. Even more wretched was Solici-

tor General Sir Patrick Mayhew. This well-liked and respected figure sunk his head and at times looked close to tears at the latest revelations in what Labour MPs are calling the "Brittangate"

Some of the most pointed and damaging questions came from the Tory benches. Jerry Wiggin asked whether Sir Patrick had given hig approval for the selective leaking of the letter. No sir, and I deeply regret that," replied a contrite Mrs

Thatcher, s in all Shakespearian dramas,

faithful spear carriers came on to speak their lines duti-fully before disappearing into the wings.
Tory hackbenchers were cast in these roles — stretching eredulity to the limit by arguing that it was all o fuss

arguing that it was all o fuss about nothing. Why, those owful Labour Governments were always up to such tricks. Casting himself in the role of e modern Justice Shallow, that bucolie Tory, John Stokes asserted that the good folk of his peaceful constituency in the Midlands cared nothing for these high-flown matters.

flown matters. The sombrely attired Nicholas The sombrely attired Nicholas Fairbairn, Laird of Fordell Castle in Perthshire, emerged from the gloom of the Tory hackbenches to assure us that the Opposition was only raising bogus points which purported to be matters of principle.

The groundlings cried for silence as former Defence.

silence as former Defence Secretary Michael Heseltine, self-appointed hero of the drama, rose to demand justice ond call for the publication of his reply to the Solicitor General.

Dr Brian Mawhinny, MP for Peterborough, was born and educated in Belfast.

This request was brushed aside by Mrs Thetcher. She felt that, if he had behaved himself ond refrained from sending a letter in support of the European consortium, the whole mess would have been avoided.

Meanwhila as the helescared

Meanwhila, as the beleaguered Government hraces itself to get through the emergency debate on Monday, Mrs. Thatcher should not give m hope. As Malcolm said in Maebeth: "Come what come may, time and the hour run

John Huut

Tory MPs stunned as crisis over Westland deepens

TORY BACKBENCHERS were reduced to stunned silence in the Commons yesterday as an admission by Mrs Margaret Thatcher, the Prime Minister, that Mr Leon Brittan, the Trade and Industry Secretary, and officials at 10 Downing Street were involved in "leaking" part of a letter written by Sir Patrick Hayhew, the Solicitor General, plunged the Govern-ment deeper into the crisis over

the Westland affair.

Her disclosure of this bizarre outcome of the inquiry into the source of the leak - made to the Press Association in an attempt to outmanoeuvre Mr Michael Heseltine before he resigned as Defence Secretaryhrought a stinging condemna-tion from Mr Neil Kinnock, the Labour leader, and some barbed questions from the Government hack benches.

To a roar of approval from his supporters. Mr Kinnock told the Prime Minister that her guilty" part in the attempt to subvert Mr Heseltine dis-honestly and covertly would remain with her as an unerasable stain for as long as

Mr Kinnock, who will return to the attack when he launches a three-hour emergency debate in the Commons on Monday, contended that the only prece-dent for the "contrived dent for the "contrived insincerity" marked by the appointment of the inquiry was when "Macbeth so fiercely looked round for the murderers

Mr David Steel, the Liberal leader, protested that the inquiry had been e "nine-day charade" and caustically told the Prime Minister that, had she been living in the real it would have led to her being charged with "wasting police time." world, her action in instituting

Mr Alex Fletcher: Has statement enhanced integrity of Government? Mr Neil Kinnock Government rotten from the core

the statement you have made lief by in has enhanced the integrity of henches. your Government?"

The Prime Minister replied that she had set up the inquiry and departed from the prac-tice normally followed on such occasions by making a full re-port to the House at the first the leak. opportunity.

In response to a series of In response to a series of prohing questions, Mrs Thatcher explained that, because the Soilcitor General's letter had been intended to correct "material inaccuracies" contained in a letter written by Mr Heseltine to the hank advising the European conceptions to accoming the secondary to accoming the sec

that the main consideration in the minds of many Tory back- the entire episode, he said it was the action of a Government which was "not just rotten to the core hat rotten from the statement you have made the statement of Trade and Industry had consulted members of her Downing Street was set up."

Staffordshire South, who has led the demands from th Dr David Owen, leader of the

Social Democrats, demanded to know when the Prime Minister's Office first informed her that it had given "cover" to Mr Brittan's decision to authorise the last

He maintained that the Prime Minister should have informed the House of this fact at the first opportunity instead of in-stituting an inquiry in the knowledge "that her office and, by implication, she herself, was fully involved in this whole sordid affair."

The Drime Minister answered

sordid affair."

The Prime Minister answered that "an enormous number of facts" had not been known until ahe received the report of the inquiry on Wednesday.

Pressed by Mr Michael Foot, the former Labour leader, who world, her action in instituting it would have led to her being charged with "wasting police time."

The angry protests on the Opposition benches were momentarily stilled when Mr Alex Fletcher (C), Edinburgh Central), tha former Corporate and Consumer Affairs Minister, beavily underlined the fact atthems of the sortium seeking to acquire a stake in Westland "commer acquire a stake in Westland "commer facts" had not been known until ahe received the report of the inquiry on Wednesday.

Pressed by Mr Michael Foot, the former Labour leader, who claimed that Mrs Thatcher must not been aware at the time of the arrangements for implestance of the commer commercially and the facts at the time of the arrangements for implestance of the commercial process.

and said 'yon authorised it,'
I would have resigned."
Mrs Thatcher repeated that
she had not been consulted about the arrangements for that the facts in the letter writhringing the Solicitor General's ten by the Solicitor General to letter into the public domain Mr Heseltine were made public

The Prime Minister said one The Prime Minister said one alternativa to tha leak would have been a "straight state-ment" but things were not easy at the time. "Also the people concerned—I say again I was not consulted—were up against the concerned—were upon the concern very acvere time constraints."

In a rare moment of contribution, Mrs Thatcher admitted in response to a question by mrs Jerry Wiggin (C, Weston to say it."

feel daeply and hitterly at the way I personally as a Cabinet minister was treated over that trition, Mrs Thatcher admitted period of time, and so do my colleagues and we are entitled to say it."

super Mare) to "deep reget" that the Solicitor General'a letter had heen leaked without his approval.

Mr Heseltine suggested that sufficient time had been avail-able to enable the difficulties said to have arisen over the

letter he had written to the bank advising the consortium for colleagues to have considered, discussed or perhaps even agreed any withdrawal of anything in my letter which was misleading."
He also asked the Prime Minister to confirm that "every

word of the letter I sent to the European consortium stands uncorrected by any statement of this Government."
Mrs Thatcher countered that

the problem would never have arisen had Mr Heseltine cleared his letter with the Solicitor General. She said: "Yon did not do so, even though you knew full well that I had cleared every word of mine (in a letter to Sir John Cuckney, the Westland chairman) hecause it was thought it might be included in the prospectus or be material."

I, as Home Secretary, had set authorised the "leak" when he up an inquiry and it came hack addressed the House last week.

Mrs Thatcher sidstepped this question, but told another inquisitor that she believed that Mr Brittan had had a duty to see hringing the Solicitor General's letter into the public domain and, amid protests from the Labour benches, urged Mr Rees to "have the decency to accept that statement."

She admitted: "I wish the manner of the disclosure had been different and more ortho-

"I don't see, in what the then

consortium.

The 'normal' limits of leaking are breached

"I BRIEF, you leak" has always been the Whitehall quip as departments jockey for position on behalf of their ministers. Yet there is something out of the ordinary about the row over the letter from Sir Patrick Mayhew, the Sollcitor General, to Mr Michael Heseltine, the former Defence Secretary, which was selectively "leaked" or "disclosed" to the Press Association by Miss Colette Bowe, the head of information at the Department of Trade and

State for Defence's letter of January 3 should become a

matter fo public knowledge, if posible hefore Sir John Cuck-ney's press conference at 4.00

pm that day.

Industry It is normal practice for information officers in White-hall to hrief on their department's viewpoint. This is often on an unattributable basis that is, the information is given on condition that the source is not identified specifically. Technically, the disclosure of

hackground information on departmental attitudes can be seen as a breach of the Official Secrets Act. However, the pro-cedure is that information officers and other civil servants. regarded authorised by their ministers a special status within the to release information. Government, distinct from that to release information, Ministers are regarded as self-

authorising.
Indeed, it is an open secret that officials of both the Ministry of Defence and the DTI have been hriefing heavily throughout the Westland affair, conntering each other's claims on behalf of their ministers. This may have been against the spirit of the Cabinet's agree-ment not to make public statements or to take sides, hut it

was unusual only in degree, not in kind, from normal practice. Tha affair of the Mayhew letter is different. The background is that on January 3, the day following the sending of e letter from tha Prime Minister to Sir John Cuckney, the Westland chairman, Mr Heseltine sent his own "amplification" to the rival European

After discussions that weekend with the DTI, Sir Patrick the Westland saga.
This explanation is why Sir Patrick has apparently been so announced an apparently been so announced the weekend and the setting the said there are material inaccuracies colleagues, and also why the leakend in some aspects of the letter referring to the attitude of ficant.

Peter Riddell explains why the leak of the Mayhew letter matters

European governments. He said there should be amendments, since the Government was under a duty not to give incomplete or inaccurate information. Within two hours of its dispatch, extracts from the letter were made publicly available,
... Mrs Thatcher made it clear
yesterday, without referring to
Miss Bowe by name, that she
had received general political
authorisation to act, and therefore the arm of legally light-

fore she was not legally liable. There are major political questions, raised yesterday about whether it was right for a minister to authorise the selective disclosure of a letter by another minister.

of other ministers. Normally their legal advice is kept confidential.
Second, even if the Westland

shareholders needed to be told of Sir Patrick's view, as Mrs Thatcher insisted yesterday would not the proper method have been for him, rather than someone else, to release the letter? She also revealed that he did not know beforehand. Third should the letter have

been disclosed in its entirety rather than selectively in a way clearly intended to damage Mr Heseltine? Most of the other equally sensitive correspondence in the affair has been disclosed in full.

On all these points, the disclosure of the Mayhew letter was against usual practice, even in an affair during which there had been such onen briefing as

had been such open hriefing as

Ulster voters brave the weather

NORTHERN IRELAND voters braved foul weather to go to the polls in 15 of the province's 17 parliamentary constituencies yesterday to deliver their verdict on the Unionist campaign egainst the Anglo-Irish agreement.

According to usual practice in the province, counting does not atart until this morning, with results expected this afternoon.

Unionist hopes of raising furnout among the nationalist majority in the seat and on whether he can take votes oway from Sinn Fein.

The other parties in the contest are the non-sectarian Alliance Party, fighting five seats, and the left-wing Workers Party, fighting nina. In four otherwise uncontested seats, the Unionists hopes of raising from 420,000 to 500,000 their majority in the seat and on whether he can take votes oway from Sinn Fein.

The other parties in the contest are the non-sectarian Alliance Party, fighting five seats, and the left-wing would win e befty turnout.

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The other parties in the contest are the non-sectarian Alliance Party, fighting five seats, and the left-wing would win e befty turnout.

The main focus on the Unionists are the non-sectarian Alliance Party, fighting nina. In four otherwise uncontested seats, the Unionists have put up district the unionist are the non-sectarian Alliance Party, fighting five seats, and the left-wing would win e befty turnout. afternoon.

The main focus un the nationalist side is on whether

Mr Seamus Mallon, deputy leader of the main party in favour of the agreement, tha Social Democratic and Labour Party, can unseat Mr Jlm Nicholson of the Official Unionist Party in Newry and Armagh. His chances depend on o hig

• The Government has announced the oppointment of announ-ted the oppointment of the first Ulsterman to be made a Northern Ireland minister since direct rula was introduced in 1972.

Business next week in both Houses

the Monday: Emergency debate on the leaked Westland letter. Airports Wednesday: Liberate debate (subject to be announced). Dehote on Common (Santal Lords)

hote on Commons (Services)

Committee report on research technology, and Europe. leaked Westland letter. Airports hill, second reading.

Tuesday: Backbench debate reading. Salmon Army.

Transport (Levy) Order.

Tuesday: Australia Bill, and Education (Amendment) Bill, third reading. Salmon Bill ad Incest and Related Offences (Scotland) Wednesday: Debate on housing. Short debate on energy re-Thursday: Salmon Bill, commit-

through the roughest day."

PM announces plan for visit

to Israel

THE PRIME MINISTER is hoping to visit Israel this year, she announced in the Commons yesterday at Question Time.

The visit, expected in the next six months, follows her talks yesterday with Mr Shimon Peres, the Israeli

Prime Minister. Mrs Thateber said the talks with Mr Peres " were not only enloyable, they were very interesting and constructive and I hope to visit Israel later this year."

this year."
Mr Andrew Faulds (Lab.,
Werley East) asked if she bad
"Impressed upon Mr Peres
the need for Israel to accept the validity of the Palestine Liberation Organisation in any negotiations towards a peace treaty in the Middle East."

He said Mr Peres should realise that "if he does not use the moderate influence of Chairman Arafat, he or his successor is going to have to face a less moderate and more radical leadership of the Palestinians." Mrs Thatcher replied that

that would depend on the Palestinians "renouncing

violence and eccepting the

right to exist."

Thatcher refuses to be drawn on exchange rate MRS MARGARET THATCHER, The Government pledged itself

the Prime Minister, refused to say in the Commons yesterday wbether the Government bad de-cided to allow sterling to take tha strain of weakness in the oil market.
Mrs Thatcher was asked by

Mrs Thatcher was asked by Mr Rinnock, Leader of the Opposition, "whether you are currently maintaing tha Government's policy of allowing the pound to find its own level."

Mrs Thatcher that Government's policy of allowing the pound to find its own level."

Mrs Thatcher to appropried in Mrs Nigel Lawson, the Chancellors are change to appropried in the pound of the chancelous process of the chancelous proce have no change to announce in interest rates, if that is what you Mr Kinnock pressed the Prime Minister to spell out how long e

rise in interest rates could be She would only say, however:
"The interest rate is one of the factors one looks at in continuing the policy of having a top priority of reducing inflation."

highest rates of any developed industrial country, except Italy.

"It will mean that mortgages will rise and that will have a mortgage will rise and that will have a Mrs Thatcher replied; "Inter-est rate increases are unwelcome. inflation."

to take every action as necessary to keep inflation down. The mar-kets have been unsettled this week, as the oil prices hava failen, but the Bank of England has maintained lts current dealing rates." Dr David Owen, the SDP leader, claimed Mrs Thatcher had lost control of both the

lor, was now in favour of mak-ing sterling o full member of the European Monetary System. Dr Owen challenged Mrs Thatcher to "make it clear that, if interest rates rise, as many fear will hoppen tomorrow, this will be accompanied by a decision to join the EMS."

The Government was criticised, however, by a number of Tory backbenchers, including Sir Hector Monro (Dumfries)

Mrs Thatcher told him: "Perhaps you will get control of your own small party

Mr David Evennett (C, Erith priority of reducing innation.

Mr Doug Hoyla (Lab, Warrington North) said a rise in interest and Crayford) asked the Prime and Crayford) asked the Prime Minister "to reaffirm her committees interest rates" Mrs Thatcher replied: "We

Plea to save Gartcosh turned down

By Kevin Brown

A LABOUR ettack on the Government's refusal to alep in A government amendment

stressing the importance of returning BSC to profitability was approved without a divi-

Mr Maleolm Rifkind,

to prevent the elosure of tha Gartcosh steelworks in Lanarkshire was defeated by 61 votas in the Commons last night. MPs voted 258—197 against an Opposition motion calling on tha Government to sava Gart-cosh by extending a three-year guarantee given to the nearby Ravenscraig integrated steel-

devastating effect upon those on the lowest incomes," he said.

Mrs Thatcher replied: "Inter-things, like the level of vene was a contemptible dereliction of duty

The by-elections were caused by the resignation of the 15 Unionist MPs, who said tha vote would demonstrate the overwhelming rejection by the Unionist majority of the Anglo-Irish accord which gave Dublin a formal role in Northern affairs for the first time.

Pension funds put more into property

Official figures show that, having drastically cut back on property investment trans-actions in the second-quarter of last year, the funds went on to make their highest quarterly commitment to the direct market since 1981.

Between July and the end of September, the pension funds sank another £238m into the property market, in marked contrast to the historically low £28m total recorded in the pre-vious quarter and well up on the £100m figure for the cresponding period of 1984.

As evidence of an improved arket performance has gathered pace, the funds have been competing much more forcefully for small-to-medium sized development opportuni-ties, while actively buying a wide range of standing property investments. Despite the big upturn in third-quarter spending, however, the pension funds committed only £374m to direct property investment during the first nine months of 1985, against £487m in the same period a year earlier.

But while their interest in the property sector was being stepped up, net spending by

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ENCOURAGED by evidence of the insurance companies was increasingly buoyant tenant demand and rental growth, UK funds put just £135m into property investment during the third-quarter of in the previous three months in the previous three months. and the lowest total since the start of 1984. Short-term funds recorded a net disinvestment of £16m, against a positive commitment of £20m in the preceding quarter.

Some of the reduction may be attributed to continuing doubts among e number of major institutional investors about the future performance prospects of the property sec-tor, while several unit-linked reduce the property element of their investment portfolios.

However wild the fluctuations between various investors, the overall pattern of spending remained fairly stable. Total institutional spending on pro-perty during the third quarter of 1985—including investment trusts, unit trusts and a variety of other small buyers—reached £453m, just £6m lower than in the previous three months.

For the first nine months of 1985, spending totalled £1.27bn against £1.25bn in the same period of 1984. Most estimates suggest that investment for the year as a whole will have reached around £1.7bn against nearly £1.5bn in 1984. A further

Docks development plan stepped up

wanted docklands to continuing equal profits arising from our dereliction, Associated British traditional port business."

Ports is rapidly emerging as an ABP has several hundred active player in the UK property market.

ABP, a wholly-twied subsidiary of publicly-quoted
Associated British Ports Holdings, is now involved in
a number of major development
projects around the UK's
coastline, designed to make use
of surplus land assets
bequeathed to it after privatisation of the ports industry.

Over the next decade, up to 1,000 acres of unwanted land could be given new commercial uses in a programme aimed at providing a growing source of profits for ABP, set up under the Transport Act 1981 to run 19 ports previously controlled by the British Transport Docks

The activities of the old board The activities of the old board
—which controlled around 7,500
acres of operational and surplus
land at the time of its final
demise at the end of 1982—were
restricted to port-related
business. But the 1981 Act
granted new freedoms to ABP
and it has since wasted little
time in diversifying into

Mr Keith Stuart, chairman of ARPH, says: "Previously, tha ports' interest in property was forceably confined to leasing out any space surplus to operational roll but any unwanted land was given to the local authority. "Now, the chains are off and

acres of land either subject to development or development and retain, wherever possible. a share of the created investments. According to Stuart: "We want to avoid a situation in which we are simply selling need or wish to take the money and run. We intend to retain a stake in the future."

To face the challenge, ABP has already beefed up its in-ternal property resources while experience at boardroom level includes experienced property men like Maxwell Creasey, the former MEPC deputy managing firector, and Sir Charles Ball, hairman of Peachey.

But the main thrust of ABP's new development strategy centres on a series of partnerships and joint ventures with names like Rosehaugh and Trafaigar House. Stuart emphasises: "We are seeking to forge alliances with top quality development companies and,

Last year, ABP formed a company with Rosebaugh current pace-setters, and together they announced plans for a £50m-plus redevelopment at Southampton, to includo Princess Alexandra Dock. There

is participating in, or actively examining, development oppor-tunities at several of its other ports, including Cardiff, Hull

So far, the Southampton plans ere the most ambitious and potentially profitable. Stuart says Rosehaugh were chosen as partners because their proposals were the most imagina-tive and because of the company's proven financial muscle. Rosehaugh Associated Ports Developments, the joint company, has just won planning consent for the first, five-acre phase of the 85-acre Princess Alexandra project.

As the six-year development programme progresses, ABP land will be sold into the jointly-owned company, which will raise outside finance but, at least initially, retain a stake in the completed investment.

Still in Southampton, cond marina is to be built at Town Quay, as part of an office, residential and leisure complex to be built on land leased from ABP by Southampton Marina Quay Development, development conlocal

Southampton Free Trade Zone
— an ABP partnership which Kleinwort McGregor Cory — is planning a £50m manufacturing, "high-tech" and business centre on land adjoining the existing con-

FREED from the legislative we aim to make significant are other major plans for tainer terminal and which will straightjacket which conment in time, they might even Southampton complex and ABP House will act as developer and

challenge of converting derelict land into thriving commercial economic climate in some of ABP's other operating cen-tres. There has, however, been considerable success in Cardiff, where Tarmac - with the help of a £10m urban development grant — is developing a £50m housing, office, retail and leisure scheme on land purchased from ABP. The vendors also get o share in the cepital appreciation of the new shopof potential development land

Stuart accepts that the programme will be considerably harder in some of the northern ports, where surplus land is plentiful but confidence in the future, particularly among developers and funders, is less

"Our main role is to operate

the ports, but we hope property can provide us with a useful, second arm. Neither are we the profits which we can gene tant and if we can establish a

Greycoat in £80m City office plan

GREYCOAT IS paying £30.25m for the freehold of Lutyens House, the 300,000 sq ft office building in Finsbury Circus, City of London. The developer plans a near-£50m refurbishment of the Grade II listed City landmark, which was jointly owned by the National Woler Council and British Telecom.

Greycoat has emerged as the purchaser following a limited tender held last year and some lengthy negotiaand some lengthy negotia-tions. The plan is to redevelop the building behind its existing facade to provide around 190,000 sq ft net of office floor space. British Telecom will vacato

The entire project will cost between £70m-£30m and N. M. Rothschild and Allied Irish Investment Bank are to arrange syndicated bank fund-Jones Lang Wootton, Morgan Grenfell Laurie and St Quintin acted for the vendors. Richard Ellis and Bremer Matson Headley advised Greycoat.

 Prudential Assurance has sold another central London office investment. The group has raised over £5m for the freehold of Alexandra House, Kingsway, from Great Portland Estates, which intends eventually to redevelop the now underway in central Brussels, to Pensiobel, the Belgian pension fund. The building is already pre-let to the Euro-pean parliament and will be completed in mid-1987.

Ahbey National Building Society Pension Fund has bought a 20,000 sq ft office development site at Bath Road, Heathrow, from Barclays Bank, Richard Ellis and Elliott Son & Boyton will let the building. & Royron will let the building, which will have a completed investment value of about £6.5m. Ellis were asking over £2m for the site.

• London & Edinburgh Trust has handed over 42 Rno d'Anjou, Paris, to the Retail Chemists Pension Fund. The boilding forms part of a package of three adjoining properties purchased in partnership with Balfour tinental-run by UK property expatriates Chris Hollowoy and Michael Hawkes — for £25m. The first huilding was sold for £11m and 42 Rue d'Aniou has been refurbished and sold to the Chemists for £18.75m. A tenant will be expected to pay a new record rent of FFr 3,000 a sq metre, providing o record 6 per cent yield for a speculative office and partners are now refurbishing the third huild-ing, on Boulevard Malsherbes.

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Opera and Ballet

La Traviata co-produced with the Teatro Commale of Florence and New litan Opera conduct York's metropotran Opera connucted by Zubin/Mehta/Rico Saccani in Zeffirelli's production. Violetta is sung by Cecilia Gasdia/Etelka Csavlek, Flora by Eva Saurova, while the role of Alfredo is alternately held by Giacomo Aragall, Neil Rosenhein and Manfred Fink. Paris Opéra

(4286 5022).
Spectacle Group "39 his de Mémoire"
in Wilfride Piollet's and Jean Guizerix choreography at the Opéra
Comique (42960611).

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is Alda with Anna Tomo-wa-Sintow, Giorgio Lambert and In-ger Wixell. Fidelio has Ingrid Bjon-er outstanding as Leonore. Die Zau-berflöte brings together Lucy Pea-cock, Cheryl Studer and Bengt Rundgen (24 331) Rundgren (34 381).

nungien (1978); kamburg, Staatsoper: Wozzek has Karen Armstrong, Franz Grundheb-er and Dieter Weller. Otello, coner and Dieter Weiter. Otello, con-ducted by Guiseppe Patané, stars Julia Varady, Vladimir Atlantow and Piero Cappuccilli. Der Flie-gende Holländer has Lisbeth Balsev and Robert Schunk. Also Katja

with Barbary Bonney, Brigitte Fass-baender and Kurt Moll (351151). Cologne Opera: The highly acclaimed Salzburg production of Monteverdi'a Die Hetrakehr des Odyssaus, arranged by Hans Werner Henze, with Claudio Nicolai, Marisnne Hirsti, Hanna Schwarz and Harald

ITALY Milan, Teatro Alla Scala: Madame Butterfly conducted by Yoshinori Kikuchi, with Eleonora Jankovic and Gorgio Zancanaro; I Lombardi Alla Prima Crociata, a new produc-

tion by Gabriele Lavia, Gianandrea Gavazzeni conducts (809126). Bome, Teatro dell'Opera: Gustav Kuhn conducts Cavalleria Rusticana and a new work by Lorenzo Ferreo (libretto by Giuseppe di Le-va), with Nicola Martinucci, Elena

vaj, with Nicola Bartunice, Escha Obrazisova, and Giovanni de Angelis. Production, scenery and costumes by Luciano Demiani. (461755).

Turin, Teatro Regio: Luigi Dallapiccola's rarely-given Ulisse, conducted by Milan Horvat and produced by Sulvano Bussotti (54800%). Sylvano Bussotti. (548 000). The Nederlands Dans Theatre with he Nederlands Dans Income with Sinaphal by Nacho Duato to music by Xenakis and Vangelis, Hans van Manen's Ballet scenes and Jiri Kyl-ian's Lieder eines fahrenden Gesellmanen's Hauet Scenes am Jiri kyt-ian's Lieder eines fahrenden Gesell-en (Mahler). Mon in Groningen, Schouwburg (131044). Tue to Thur in Amsterdam, Schouwburg

(242311).

LONDON

Royal Opera, Covent Garden: Gou-nod's Faust, in John Copley's un-even production, returns with a not-ed French conductor, Michael Plased French conductor, dichael Flas-son, and a strong (though not very Gallic) cast of principals: Stuart Burrows in the title role, Samuel Ramey and Nelly Miriciotu as Me-phistopheles and Marguerite. Fur-ther performances of the brilliantly colourful and exotic Turandot, with Gwyneth Jones, and of Simon Boo-

canegra, exceptionally strongly cast with Renato Bruson, Kiri te Kana-wa, and Robert Lloyd. (240 1086). nglish National Opera, Coliseum Rossini's Moses, one of his grandes and most impressive works, coation ues in the repertory, with John Tomlinson in the title role and the veteran Italian Alberto Eredo as conductor. Further performances of The Mastersingers, a good company effort (with a particularly attractive Eva in Kathryn Harries), and last of the interesting new Don Glovanni production by Jonathan Miller, with William Shimell, Richard Van Allan, Josephine Barstow, and Felicity

Lott. (8363161).

arcelous: Manon, starring Alfredo Kraus with Ana Maria Gonzalez, Enric Serra and John-Paul Bogart, conducted by Jean Perisson. Gran Testre del Liceu, Sant Pau 1.

NEW YORK

tetropolitan Opera (Opera House): Monserrat Caballe sings the title role of Tosca with Luciano Pavarotti Felice Cillario in a week that includes Romeo et Juliette with Catherine Malfitano and Neil Shicoff in the title roles, conducted by Sylvain Cambreling as well as Neeme Jarvi conducting August Everding's pro-duction of Khovanshchina, with Natalia Rom as Emma, Florence Quiv-ar as Maria and Wieslaw Ochman as Prince Golitsyn. Lincoln Center

WASHINGTON

Washington Opera (Terrace): Daughter of the Regiment conducted by Joseph Rescigno with Eric Mills, François Loup and Joyce Castle plays in reperbay with Christopher Columbus, conducted by Randolph Mauldin with David Eisler, Elaine Rosseri and Kesen Stunt in Person Bonazzi and Karen Hunt, in Roman Terleckyj's new production. Both are sung in English. Ends Feb 2. Kennedy Center (4228700).

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Exhibitions

BRUSSELS

Women in Pharoenic Times: 95 objects from the Cairo Museum including jewellery, make-up and perfum-cases, religious objects and musica instruments reflecting the status of women in Court and Temple roles. Musée d'Art et Histoire. Ends Feb

Milan: Palszzo Reale and Palszzo Ba-gatti Valsecchi: Edvard Munch gatti Valsechi: Edvard Munch (1863-1944): A large retrospective show by the Norwegian forerunner of the expressionists. An extraordi-nary conveyor of pain and anguish. Most of the paintings are from the Munch Museum in Oslo. Until March 12.

me: Palazzo Venezia: "English Cari-Reme: Pelazzo Venezia: "English Cari-cature, from Hogarth to Cruik-shank". 114 engravings from the Sprovieri collection bearing witness to the extraordinary freedom of speach enjoyed in England in these years (1740-1840). Nobody is spared: the Royal Family, the Government, the Church, the army or the aristoc-racy. The exhibition is sponsored by the British Council. Until Jan. 30.

PARIS

Gaile: The first retrospe France in honour of one of the most France in honour of one or the most important artists of Art Nouveau who successfully explored the simulations in ceramics, glass and cabinet making. Musée du Lamembourg, closed Mon, Thur late opening, Ends Eal. 2 42 22 601

closed Mon, Thur late opening, Ends Feb 2 (42342595). Homage to Paul Delvaux. Distant and solitary in their cool perfection, their large eyes unseeing, Delvaux's nudes people his dreamlike uni-verse. The one truch of realism comes in the painting of his moth-er's kitchen, with an old-fashioned coal burning stove, grandiather

£5,000+

clock and cured ham hanging from the rafters. Centre Waltonie-Bruzelles, Ends March 31 (4271 2616).

nich: Haus der Kunst, Pringregen tenstr. 1: Karl Spitzweg (1806-1885): 500 drawings and paintings with 70 500 drawings and paintings with 70 cartoons from four artists, among them Daumier, Doté, Gavarni and Grandville, Ends Fed.

Berlin, Bauhaus-Archiv, Kingelhöferstrasse 14: Walter Gropius, "The Architect and Designer." An exhibition of paintings constructions designed.

of paintings, constructions, designs and furniture by Gropius. Ends

METHERLANDS

riem, Teylers Museum, biographical exhibition devoted to Charles Darwin, his theory of evolution, and its reception in 19th-or

Hastiem, Frans Hals Museum. Le Corbosier's influence on Dutch arcontinuous minimence on Dutch ar-chitects traced in photographs, drawings and models of buildings reflecting his ideas on the relation-ship between man and his environment Ends Feb 16.

Madrid, Repetitive Structures. 22 works by 21 artists on loan from Ludwig Museum in Cologne, among them, Andre, Judd, Lewitt and Mor-ris engaged in the Minimal movement and Andy Warhol, Lichten-stein und Dine in the Pop Art. Interesting mix of styles and trends. Fundacion Juan March, Castello 77. Ends Feb 16.

Barcelona Thesaurus. L'Art dels Bis-bats de Catalunya sponsored by the Fundacio de la Caixa and collaboration of Tarragona's Episcopate. 170 works carefully chosen and of great value. All pieces have been cleaned. restored and thoroughly catalogued.
Palau Macai, Paseo de San Juan, rceiona, Ends March 2

VIENNA

Kandinsky In Paris 1934-1944: An ex-tensive collection of oil paintings, gouaches, watercolours and photographs from the last 10 years of Kandinsky's life, organised by the Guggenheim Museum, New York. It shows the culmination of his development as moner of sheract art, his earlier dramatic emberance giv-ing way to a more refined style with

mg way to a more refined style with softer pastels and monochrome colouts, but the dynamism remains. In sections on Black Backgrounds and Concrete Art Kaminsky's works are
brilliantly complemented by those of Klee, Mondrian, Arp., Miro and
Picasso, showing his influence on a
generation of European abstract artitists. 20th Compress Museum Ends. generation of European angulars and ists. 20th Century Museum. End-

NEW YORK

etropolitan Museum: Liechte the Princely Collection, one of the greatest private collections in Eu greatest private collections in for rope, shows a variety of the holdings, like a French Rococo carriage firearms, sculpture and a hundred paintings, including 19 Rubens, 1 Van Dycks, and 8 Frenceschinis Ends May 1.

WASHINGTON

lational Gallery: The Treasure Houses of Britain collects 700 objects from 200 stately homes in a show mounted and decorated to look like the quintessential stately home, with paintings by Holbein, Rubens, Van Dyck, Hogarth and Turner among many others, as well as Chippendale furniture, Meissen and Sevres porcelain and tepestry, jewellery and armour. Ends Mar 9. Vational Museum of American Art: 73 works of New Zealand Mean action works of New Zealand Maori artists works of New Zealand Maori artists show the mixture of religious, sym-bolic and artistic traditions in feath-er capes, ceramic vessels, carved and painted gourds and woven handing trains units and woven hangings using native materia Exis March 9. Renwick Gallery.

£10,000+

Music

LONDON

Academy of Ancient Music, with Em-ma Kirkby, soprano. Vivaldi and Händel. Queen Elizabeth Hall (Mon). (2283191). onls Demetrius Alvanis, pianc: Bach, Beethoven and Chopin, Queen Eliz-

abeth Hall (Tue). London Philhermonic Orchestra. ducted by Serge Bando, with Ida Handel, violin, Berlioz, Sibelius and

Handel, violin. Berlioz, Sibelius and Brahms. Royal Festival Hall (Tue). (9283191). BBC Symphosy Orchestra, conducted by David Atherton, with Paul Cross-ley, piano. Messiaen, Takemitsu and Bartok. Royal Festival Hall (Wed). Philharmonia. Orchestra, conducted by John Carewe, with Elizabeth Treanor, violin. Brahms and Mahler. Barbican Hall (Wed). (638 8891).

Loudon Symphony Orchestra, conducted by Richard Williams, with Jorge Bolet, piano. Rossini, Barber, Victoria Wedinians, Wedini Jorge Boiet, piano, Rossini, Barber, Liszt and Dvořák, Barbican Hall (Thur).

ionnie Scott's, Frith Street: Singer Ni-na Simone and her musicians.

PARIS

Orchestre Colome, conducted by Pierre Dervaux, with Abdel Rah-man, El Bacha: Stravinsky, El

man, El Bacha: Stravinsky, El Khoury, Ravel, Bartók (Mon). Salle Pleyel (45010630).

José Van Dam, bass; Anne Pareuil, mezzosoprano; Anne-Marie Fontaine, piano: Gluck, Tchaikovsky, Mozart, Mussorgaky (Mon 6.30pm) TMP-Chātēlát (42334444).

Vlado Perlemeter, piano: Bach, Beethoven, Ravel (Mon). Théâtre des Champs Elysées (47234777).

Amadens Quartet: Mozart. (Tue). Theâtre des Champs Elysées (47234777).

(47234777).Orchéstre de Paris, conducted by Eugen Jochum: Hayen (Wed, Thur).
Salle Pieyel (45610680).
Orchéstre National de Prance, conducted by Vaclav Neumann, with the Radio France choir. Mahler

(Thur). Theatre des Champs Elysées

Rosse: Auditorium in via Della Concil-iazione: Soprano Rosalind Piow-right. Webern, Strauss and Bruck-ner, conducted by Gustav Kuhn (Mon and Tue). (654 1044). Rome: Teatro Olimpico: Piazza Gen-tile da Fabriano): Antonio Meneses, celle Evana Mascinga piaza Bent. cello; Franz Massinger, piano. Beet-hoven, Strauss and Chopin (Wed).

e: Oratorio del Gonfalone (Vicolo Della Scimia 1/B - Via Ghilia): Wiener Instrumentalsolisten Cham

ber Orchestra. Bocsherini, Haydn and Mozart (Thur) (655852). Rome: Teatro Ghione (via Delle For-naci 37) Shura Cherkassky, piano. Schumann, Liszt, Grieg. Bernstein and Tchaikovsky (Thur). (6372294). Milan: Tentro alla Scala: Michele Campanella, piano: Cesar Franck. Liszt and Mussorgsky (Mon).

National Symphony (Concert Hail): Klaus Tennstedt conducting. Wag-ner, Beethoven (Tue): Yoel Levi, conducting. Barber, Schoenberg, Saint-Saens (Thur). Kennedy Center (254 3778).

(809126)

NEW YORK

combination of contemporary poli-tics and 18th-century high jinx with music by Nick Bicat is directed by Sharon Ott of the Berkeley Rep. (488 3300).

Florence: Testro Comunale: m rano Teresa Berganza accompanio hy Juan Antonio Alvarez Parejo. Vivaldi, Brahms, Granados and Bra-

dam, Concertgebouw (71 8348); Tue Nijmegen, Verseniging (221109); Wed, Utrecht, Vredenburg (314344). Wed. Utrecht. Vredenbarg (314544).

Amsterdam, Concertgebouw. Thomas
Sandering conducting the Netherlands Philharmonic, with Thomas
Zebetmaier, violin. Wagner, Mozart,
Tchnikovsky (Tue): The Radio Philharmonic under Romald Zollman,
with Teresa Cahill. soprano. Krusse.
Benjamin. Marwell Davis (Thur).
Recital Hall: Isabelle van Reuien,
violin: Jochem Geene, piano (Tue):
Trio di Milano. Haydn, Rihm,
Brahms (Wed): Henry Raudales,
violin: Ryoko Hashimoto, piano.
Leclair, Beethoven, Brahms, Wieniswelt (Thur). (718345).

Leclair, Beethoven, Hrahms, Wieniawski (Thur). (718745).
Utrecht, Vredenburg, Thomas Sanderling conducting the Netherlands
Philharmonic, with Thomas Zehetmaier, violin. Wagner, Mozart,
Trhaikovsky (Wed). Recital Hall;
Concord Quartet. Mozart, Henze,
Beethoven (Tue). (314544).
Rothrdam, De Doelen, Recital Hall;
Emmy Verhey, violin, and Youri
Egorov, plano. Schubert (Wed); Isabelle van Keulen, violin; Mathias
Weber, piano. Beethoven, Janaček,
Brahms (Thur). (142911).

Madrid, Midday concert (Mon). San Telmo Foundation Trio. Beethoven nann; French Ba cle: concert by José Miguel Moreno. Baroque Lute (Wed). Fundacion March, Castello 77 (4354240). and Sci Valencia, 1988 season: St Martin-in-the-Fields. Teatro Principal, Bar-cas 15, Valencia (3510051). (Tue).

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting; Walter Klien, piano. Schoenberg, water kneen, plants, Schoonberg, Stravinsky, Dvořsk (Tue); Erich Leinsdorf conducting, Brahms, Mar-tinu, Stravinsky, Berlioz (Thur), Lincoln Center (§742424). Carnegie Hall: Richard Strauss's Ca-

with the Orchestra of St. Lines, staged by John Cox, with Ileans Lear, Evelyn Lear, Reri Grist, and Jerry Hadley (Tue); Philharmonia Hungarica conducted by André Bernard. Hayda, Schubert, Bartôk (Thur). (2477459).

As You Like It (Barbican): Much improved since last year's Stratfordinon-Avon season, Agrian Avon-loosely Edwardian production now emerges as a secret-garden adven-ture where Rosalind (Juliet Steven-son) has the sisterly devotion of Celson) has the asperty devotion of Cer-ia (Fiona Shaw) threatened by Or-lando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbitan repertoire also in-cludes a fine Othello with Ben Kingdon and in The Di

Varya. Sheer bliss and very funny.

(9282252).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. M chael Blake-

more's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888). Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskat-

Andrew Lloyd Webber's rollershating folly has 10 minutes of Spielberg movie magic, an enriting first half and a dwindling reliance on indiscriminate rushing around. Dinneyland, Star Wars and Cats are all influences. Pastiche score node towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

22nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been raphrously received. (838 8166).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star sinca Michael Crawford. (835 7611).

Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of Les
Lizisons Dangereuses (628 8795).
The Cherry Orchard (Cottesloe): Wonderful NT production by Mike Alfreds includes the scene Stanislavsky cut. Ian McKellen as Lophakin,
Sheila Hancock as Raneuskaya,
Hugh Lloyd as Firs, Edward Petherbridge as Gayev, Roy Kinnear as
Simeonov-Pischik, Eleanor Bron as
Varya, Sheer bliss and very funny.

once the disease is diagnosed. (2396200).

Cats (Winter Garden): Still a sellout. Trevor Num's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feliue, but classic only in the sense of a rather staid and overblown idea of theatricality. (2396262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the 30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-ara Jewish household where young Engene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longestrunning musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the sougs are used as anditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With

In Regard of Flight (Kreeger): Bill in-win's theatrical spoof shows off the mime's talent in confronting a man-esting stage curiain and a disap-pearing shoe on the quest of a new theatrical game. Ends Jan 12. Arena Stage (4883300). Bestoration (Arena): Edward Bond'a combination of conferences and

LONDON

The Scarlet Pimpernel (Her Ma-jesty's): Donald Sinden in resplen-dent plumply-voiced form as Barnejesty's): Donald Sinden in resplen-dent plummy-voiced form as Baron-eas Orczy's one-man resistance movement to the French Revolu-tion. Opera director Nicholas Hyt-ner's efficient and sparkish produc-tion has smoke, tumbrils, rat stew and rolling heads. (930 4925).

ga (Tue). (277 9236). NETHERLANDS.

Quadro Hottetarra, with David James and Michael Chance, counter-tenors, Purcell, Blow. Mon. Amster-

prictio, conducted by Jeffrey Tate, with the Orchestra of St. Luke's,

WASHINGTON

Chicago Synaphony (Orchestra Hall); Sir Georg Solti conducting, Weber, Rochberg, Schumann (Thur).

Theatre

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover, but this Circle Rep production also has distracting artistic touches to patch once the disease is diagnosed, (2396200).

tions rather than emotions.
(239 6200).
La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gandy chorus numbers. (757 2626).

Per Not Ranssmort (Booth): In moving

(157 2025).

Ten Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Lane role emerging as the best new musical star since Michael Crawford (836 7611).

Barnam (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical (834 1317, credit cards 528 4735).

Prawda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colomial who penetrates the Establishment while a nation dithers. (928 2252).

Guya and Dells (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribule to the recently deceased co-librettist Ahe Burrows (930 8681).

Farch Song Trilogy (Albery): Antony

cently deceased co-librettist Abe Burrows (\$30,8681).

Teach Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen lighting for emotional and domestic stability. Truthful playing has the effect of cruelly ex-posing Fierstein's tackily uneven writing, (836,3878).

Continued on Page 13

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Amelia Shankley plays the young Alice in "Dreamchild"

Stallone in "Rocky IV"

Cinema/Nigel Andrews

Punchdrunk and wonderstruck

Rocky IV directed by Sylvester Dreamchild directed by Gnvin efore Stonewall directed by Greta amplified blows in one fight? Teen Wolf directed by Rod Daniel Death In A French Garden directed

Sylvester Stallone is fast becoming Hollywood's oneman patriotism industry.

Fresh from winning the
Second Vietnam War in
Rombo, be is back in the fourth Rocky, turning the plug-ugly pugilist into a front-line Cold Warrior, East meets West in the boxing ring, and the cesulting film may be dangerous for your mental health but is oddly irresistible in its juggernaut Impact as entertainment.
The opponent this time.

standing at six foot six with icebery teeth and a rampart of bristle-cut blond hair, is Russian heav; weight Ivan Drago (Dolph Lundgren), "Vatever he beets, he dee stroys." snarls his promoter. And Mr Drago promptly proves it. He goes to Las Vegas to hit and destroy. with one killer punch, Rocky's old antagonist turned friend, Apollo Creed (Carl Weathers).

The film has hardly begun and already writer-director-star Stallone is stoking our adrenal glands. Alded by a soundtrack of near-nonstop rock music (Gladys Knight, James Brown, etc) and strafing us with images of the stars and stripes (on everything from banners to boxing shorts), he has us clamouring for the East-West revenge fight: the Philadelphia Stallion versus the "Siberian Express." This will take place in Russia, despite the pleas of Rocky's longsuffering wife Talia

jaw, which has already stood up to more punishment than Sacher-Masoch and the Thames Barrier combined, take another one hundred direct and Dolby-

You betcha. Whatever patent formula Mr Stallone bas found for whipping up audiences' emotions, it is clearly worth purchasing sbaces in it. Rocky IV has already taken 100 million dollars nt the box office and is an entertainment machine of terrifying efficiency. The secret is partly the takeaway political tub-thumping, which cunningly modulates from patriotism to detente in the final ceel, and partly Stallone's tendency to linear narrative for hardpunching montage sequences: those flurrles of quick-cut action in which days or years ace covered in minutes. One sequence gives us a bouquet of flashbacks over Rocky's past career, another a rock-scored marathon of cross-cuts between Rocky's training sessions at a snowbound Russian dacha and Drago's hi-tech gym whece diagnostic machines register every muscle twitch.

Ah-ba we cry bere. Emersonian self-reliance US-style versus debumanising Soviet automatism! Which is indeed the message of the whole film. The natural David meets the robotic Goliath, and after the decline of the Western we are perhaps starting a whole new chapter in American movie folklore: How the East was won.

Some films begin by tacking madly between the tired and the inspired. Dreamchilder a meditation on the real story behind Alice in Wonderland, written by Dennis Potter and directed by Gavin Millar, begins with sheer magic. The camera swirls up a shingled studio

for live performances, had pre-

pared a programe of Beriloz, Ravel, Poulence and Franck; and was able therein to rouse this orchestra's spirits to an unfamiliarly bigh and hearten-

ing pilch. The Berlioz Roman Corniral Overtuce was set off

with great verve, the Ravel Tombeau de Couperin Suite

was sounded with full-blooded attack and some plucky rustic

dance rhythms (a notably strong

Liddell (Coral Browne), formerly Carroll's beloved model for Alice, acts as wonder-Liddell struck referee. Then we cut - and enchant-

ment totters—to Mrs Hargreavea crossing the Atlantic by means some yellowing stock footage of an ocean liner and disembark-ing before a rhubarbing throng of New York reporters who seem to have been transplanted into the movie from The Front Page or the stories of Damon Runyon. Mrs H, we learn, is visiting Columbia University for some centenary Carroll celebrations; year 1932. And It is soon clear that far from being in party spirit she is an old fogeyess finding the New World bard to swallow and the old world of half-cemembered amour fou-from Rev Dodgson (oka Lewis Carroll atill undigested, though effortifully repressed, in her

beroine, emancipates itself. The cardboard Yanks assemble themselves as justified cut-onts in a fairy-tale; a subplot of touching romance begins between Alice's young companion (Nicola Cow-per) and an ex-ceporter turned self-made agent (Peter Gallag-ber) who steers Alice into money-winning broadcasts and endorsements; and the Waldorf Astoria Hotel sprouts memories, visions, flashbacks and Mad Hatter's tea parties (creatures splendidly created by muppeteer Jim Henson) as if there were no

But gradually the film, like its

And there is no fulfilling omorrow for each of us, suggest Potter and Millar, without a full emotional acceptance of our pasts. This theme is seamlessly embroidered into the story up to and Including its exquisitely touching donble denouement: Dodgson (Ian Holm) unforgivingly mocked and then for-

Les Grands Maîtres français/Festival Hall

Royal Philharmonic series follows suit, the venture point in the "Forlane"). To of singular breadth and las proposed, in five will have proved its value both composers the approach muscular articulation—a hit was forthright, frank, unclut-brusque over small details.

mdeed.

Mr Lombard, a leading french conductor of the middle generation perhaps better the mown here for records than the performances, bad pre-

sion of "The Whiting and the Snail" rings from the university

rafters. Superb performances hy

Holm and Browne adorn a film

that is wise, witty, imaginative and—as all movies should be— In recent years one has some times needed a steel umbrella, when one goes out, to avoid being hit on the bead by endbeing hit on the bead by end-less documentaries about gay liberation. All in a worthy cause, but they do rain down somewhat. Much of Greta Schiller's Before Stonewall seems like a reprise of past docu-surveys like Word is Out: even to interviewing several of the same veterans of the gay the same veterans of the gay "movement" to learn how they kept the struggle and the sub-cultuce going long before the 1969 Stonewall riots (police raid on New York gay bar met by two days of defiant retaliation) made bomosexual rights beadturgid than the anguished mlddle-class fumblers of Alan Ayekbourn who has commisline news,

Better yesterday's agiprop. bowever, than camped-up tributes to yesterday's pulp movies. Teen Wolf shows that you too can amaze your girlcharm to the almost aggres-sively inert Paul, the grammar school boy who made it to Cam-bridge and broods wryly, pathofriends, break bastketball records and bore audiences to logically incapable of action, over bls antiquarian bookshop. death by becoming a werewolf in a trite comedy-horror film. Michael J. Fox (of Back to the Paul knows more than Barry, the bumptious public school socialist, but bas made nothing of himself. The last act sees him Future) is the lycantbrope. Rod Daniel limply directed. humiliated by the scion of privi-lege who is as effortlessly sup-

Michel Deville's Death in o French Garden is the latest instalment in a larger movie saga, informally known as "Death of the French Cinema." Wielding chic clothes and sub-Bunuel non-seculturs, a stellar cast (Michel Piccoli, Nicole Garcia. Richard Bohringer) revolve around a black hole of a plot, whose incidents of murder, voyeurism and sex seem to bave no discernible connection either with each Shire, still resembling a mouse on tranquillisers, and the protests of fisb-lipped brother-in-law Burt Young ("Some boll-day this gouns be"). Can a rocky promontory; while the Rocky do it? Can that steel with sheer magic. The camera ingly mocked and then for stealer in Anemone, who as the givingly kissed by the young stealer in Anemone, who as the possibly crippled, possibly nymphomaniacal possible detective at last acknowledging in public a rocky promontory; while the Rocky do it? Can that steel

perhaps, but convinced of the

work's merits, and ready to persuade the listener likewise. In between, Poulenc's early

In between, Poulenc's early Two-Piano Concerto—20 Irresis-

tible and very curious amalgam

of clowning, cocasserie, and Mozartian tenderness brought

to the platform two superla-tively bright, elegant, and sym-pathetic (in all senses) young French planists in Jean-Philippe

Collard and François-René Duchable, From the Philhar-

monla their support was the nearest thing to orchestral light-

fingeredness achived during the

Il trovatore/Theatre Royal, Glasgow

Rodney Milnes

For its first staging of this is an opera which can be much more interesting if the Verdl's sombre "civil war as symbol of the human condition " masterplece, Scottisb Opera has opted for a joint singers are less than palpably "great"). Here the emphasis is on clarity of musical and production with Opera North, verbal articulation. Not only is virtually every work audible (special praise to the lusty chorus) but the lines are Andrei Serban's up-dating to the Spain of the 1930s having been seen in Leeds 15 months ago. Michael Yeargan's ago. Michael Yeargan's permanent set, a bombed-out railway station, is used, but railway station, is used, but rather less atmospherically lit; the nroduction is by Graham VIck. The outlines are basically the same, thought with rather moce gunfire and bloodshed if memory serves, and greater emphasis on infant mortality (which is not inapt given the plot's pre-history). The essential sobriety of the concent. lial sobriety of the concept, and thus its inescapable

and thus its inescapable impact, remains intact.
But in Glasgow the opera is suog in Tom Hammond's fine English translation, which inevitably draws the audience more closely into the action: there is no question of us being allowed to withdraw into a mere "foor greatest singers in

cal NW whalever; and far more

sioned work from the author,

Alfred Lynch brings weary

erior on the golf-course as he is

The trouble is that none of

Mr Thompson's characters say

anything witty or original as

they thrash out their identity problems, insecurities and

sexual frustrations. They never

confident in cuckoldry.

Brian Thompson.

the world" wallow (ironically dots play a vital role in this intensify the emotion. She is a music) and the obsessive nature of the writing that can emerge more strongly in less responsibly prepared performances. Some rather self-conscious shading and lapses in forward momentum, as in the second-acl concertato, especially worrying. Swings and roundabouts.

The singing was expressive

lusty chorus) but the lines are sung as if they actually mean something. Given Geoffrey Moses's brillianl account of Ferrando's narration, there is no excuse for falling to understand the plot.

That the English text should sound so naturally allied to the music says much for the care and quality of the musical prenaration under Graeme Jenkins. Admirable though this may be, care should not, ideally, show in a performance as well as clear. Janice Cairns
(Leonora) may not have a
conventionally beautiful voice
ber ione can harden under pressure and her range of tone colour is limited — but musiclanship, technical assur-ance and heartfelt eloquence of delivery more than make of delivery more than make amends. Seldom can the hope-lessness of Leonora's predicament have been conveyed so searingly, most notably in a searching account of the fourth-act aria and cabaletta ideally, show in a performance of this particular score; orchestral and vocal nhrasing-internal and external balance, (both verses, bravo), the innumerable technical hurdles overall pacing, all were nre-cisely calculated, yet one occasionally missed from Mr of which were cleared with a Jenkina the visceral drive, the akill that was never displayed one, and none the worse for rhythmic intensity (double for its own sake but used to that, every now and again.

lovely performer.

Patricia Jayne duly wrung every wither in earshot as Azucena, but with more care for dynamic and phrase Iban sbe has sometimes shown in other roles; the part is seldom sung as written, and perhaps never has been, but Miss Payne's approach will do nicely by today's standards. An apology was made in mid-per-formance for the tenor. Angelo Marenzi (complaint unspeci-fied); he had coped better with the English text with Verdi's vocal lices, and it would plainly be improper to comment in detail on his interpretation. As Luna. Jacek Strauch fielded beautifully warm tone and a secure line (it is always good to bear a young baritone in this role) but little more than conventional villainy of demeanour. A thoughtful Troratore, then, rather than—save for Miss Cairns—a vocally shattering

The Light Rough/Hampstead

Martin Hoyle

At first glance the territory remotely engage one's interest ooks familiar from the out- or sympathy, though there are sets of pluably concerned hints that Mr Thompson has looks familiar from the out-posts of pluably concerned liberalism portrayed by Michael Frayn or Doug Lucie. The patio to which the exasperated bost flees from his culturewritten the first fogey play with characters 20 years too old (which does not, of course, make them old fogeys). glutted dinner-parly is in that new ultra-riparian Hampstead, Clapham. These trendies, how-ever, are older, acedier, moce down-market and infinitely moce boriog than the inhabi-tants of the customary theatri-Part of the blame must go to

singularly unconvincing casting. William Royland is ludicrously unlikely as the radical golden boy: I expected a denouement which would reveal bim as a travelling sales rep for pork

sauaages, but no, this super-annuated saloon-bur smirker is intended at face value. girl-friend is connected with the Arts Council, but in what capacity is not made plain. Recent economic cuts may bave increased the Council's intake of chirpily tarty vulgarians (it would explain much). And Heather Canning is the most unlikely psycho-therapist to be found outside a TV soap-opera. Tony Selby's aggressively

ceedings. Oliver Ford Davies provides humour as the other-worldly proprietor of an antique worldly proprietor of an antique biscuit-tin shop. Michael Atter-borough's production should really do something about Mick Hughes's utterly unatoro-spheric lighting perhaps hc, like me, was simply unsure as to what world, social milieu and class background the author was trying to create.

self-made small businessman



Oliver Ford Davies (left) and Alfred Lynch

London Mozart Players

Andrew Clements

In focussing their current South Bank series on a wider repertory than last season's diet of Mozart, the London Mozart Players bave constructed some attractively mixed programmes. Wednesday evening's in the Elizabeth Hall was for string orchestra, and offered a trio of moce or less neoclassical pieces framed by the statutory Mozart (the D major Divertimento K.136) and Chaikovsky's Serenade.

Conducted by Jane Glover, the playing was generally alert and well integrated. Yet what will pass muster in early Mozart and sound conviocing and even imposing in the hroader brush strokes of Chalkovsky may still be found wanting in Roussel and Stravinsky. Roussel's pugnacious little sinfonietta of 1934 needs razor-sharp attack and a gutty, almost raw sound; edges were often blunted here. the textures somewhat bland. Conversely Stravinsky's Con-certo in D needed more easeful elegance and refinement to

To describe middle-period Vaughan Williams as "neo-classical" would be fighting talk in some quarters, but in this context bis Oboe Concerto of 1944. neat of figuration, emotionally detached and a central movement in the style of a Minnet, seemed quite close to the Stravinskian aesthetic. It always seems an unsatisfactory piece, with an air of impersonality and relying too much on the soloist (originally Leon Goossens) to lend memorability to the Lark Ascending-like cadenzas. Here it was played by Malcolm Messiter, appropriately suave and technically adroit, but a little too monochrome to make the phrasing come alive. That,

Steer retrospective A retrospective exhibition of the paintings and watercolours of Philip Wilson Steer (1860-1942) bas opened at the Fitzpolish its immaculate surfaces. william Museum, Cambridge.

however, may be an impossible

Stephen Bishop-Kovacevich

Dominic Gill

list covering a range of events Partita in D mnjorl was bright from orchestral concerts to and clean, neally made—an instring quartests to recitals by telligent, fluent performance, if solo piano, harp or flute. From decidely low-key compared with time to time it offers a plattime to time it offers a plattime to new and unfamiliar for example, Angela Hewitt at names (the season's opening the Wigmore last week. concert given by the RPO was conducted by the young prize-winner Sian Edwards); but by and large the emphasis is on the more familiar mainstream —two appearances in particular delicate self-consuming—exquiwhich shouldn't be missed in sitely cautious, rather beautifebrunry and March ace those of the Borodin String Quartet riska would have added a final.

Bank) and a piano recital by Peter Donohoe.

The Barbican's season of was plared by Stephen Bishop-Wednesday lunchtime concerts Kovacerich: a Bacb Partita for (two or three Wednesdays a overture, and a main course of month is a fairly betterogeneous Coopin. His Bacb (the fourth

Bishop - Koracerich gave Chopin's F sharp minor and E flat Nocturnes and a group of three Mazurkaa in a spirit of (taking a break from their original spice. The climax of the Shostakovich cycle on the South Barcarolle, arrived at by way of a wistful dream of summer, was held back with a nicely ambi-This week's lunchtime cecital guous melancholy reserve.

NOTICE

Society has proposed, in five will have proved its value

music under a rather grand-sounding title, and for which some rather inflated claims are known here for records than

1986 Festival Hall concerts, a indeed.

series of programmes of Fcench

being made. Most of the music

being performed is after all, familiar, everyday fare (only the British premières of works

by Messiaen and Jean-Micbel Damase provide exceptional noveltr). But concerts of French music are always worthwhile, under any title or theme,

when given with as much vigour as was Wednesday evening's by the Philharmonia under Alain Lombard. If the cest of the

To the holders of US\$15.000,000 Zero Coupon Bonds (Bonds) due 15th October, 1990 of

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Dated: 24th January 1986

Llegrand

INTERIM DIVIDEND

At its masting on 7 January 1986 in Limoges, the Board of Directors decided to pay the lettowing interim dividend in respect of 1985: -on ordinary shares FFr 31.25 net per share (tax credit FFr 15.625) -on preferred shares FFr 50.00 net per share (tax credit FFr 25.00) This interim dividend, which is represented by coupon No. 28 for ardinary shares and by soupon No. 5 for preferred shorts, will become payable as

1985 was a centrasting year in France, with business in the second half showing a distinct improvement over the first half of the year.

Overall—beging in mind the oberty rise in space in the loss quarter of 1984.

—consolidated sales were up by an estimated 30 per cont over the year as a whole, up close to 12 per cent after educating for changes in the structure of the group.

the state of the s

Sixth Agazal Conference of the Strategic Management Society

Boulez's exquishely light, floated Tombeau de Couperin came particularly to point arrows to the areas untouched

Yet the encouragement of such hrave playing is a virtue not wisely scorned in the current run of routine South

Bank concerts. It was shown again after the interval, in an

account of Franck's Symphony

Singapore, October 13 to 16, 1984

The Ihame of the centerence is "Culturas and Competitive Strategies" and e wide range of tessues with international demonstrates has developed a high reputation among executives, conductants and exademics in the field of strategic management. Those interested in presenting a paper and/or ettending should contact:

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The deadline for paper submission appril 12, 1988.



Continued from Page 12

evening.

Gigi (Lyric): Unconvincing stage reviv-al of Lerner and Loewe's film fol-low-up to My Fair Lady, Beryl Reid rising inimitably above the materi-al, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward For in the shadow of a summit be-tween The Soviet Union and Britain. Finent direction by Peter Yates of the West End's best new play of the year, (734 1168).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGam's look-and sound-alike. (734 4287).

re You Losesome Tanight? (Phoe-nix): More musical hagiography with Alan Bleasdale's Elvis Presley with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploita-tive, but not strictly for tourists. 1836 2700 1836 2294).

Les Miserables (Palace): Notably well sung and spectacularly produced

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durch Boten zugestellt.

Get your News early in

rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey, Colm Wilkinson superior as Jean Valjean. A melodramatic distillation of Rugo, and none the worse for that. The French score is trustingly melodic with sergieselile. rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (4376834)

Camille (Comedy): Pam Gems's re-write gives Marguerite Gautier a child for whose future security she exchanges her own frail health and love. Don Daniels'a studio RSC pro-duction does not transfer that well, but Frances Barber is an actress to watch. More coughing on stage that in the stalls, for a change. (930 2578).

Naheres erfahren Sie

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Saleroom

A clockwork toy Mercedes open tourer sold for £7,200 yes-terday at Christie's sale of toys, games, trains and Dinky toys. The car, dated 1907 and comnlete with chauffcur, was 10½ in bigh and had been expected to sell for between £3,000 and £5,000.

Phillips' sale yesterday of printed books, atlases and mans realised a total of £62,150 with only 2 per cent bought in. A complete 157-volume set of The Sporting Magazine, 1792-1870, sold for £7,500 to Lane Fine Art

A sale of American pictures and sculpture at Christie's New York on Wednesday realised a total of \$339.592 (£235,828) with 18 per ceot

bought in. The top lot was an oil pninting of St Ives, Cornwall, painted by Edward E. Simmons in 1889, for which a New York dealer p; \1 \\$55,000. Its eatimated value was between \$7,000 and \$9,000. Anionio Jacobsen's oil of The Bremerbaven tanker, paioted in

Bremerbaven tanker, paioted in 1897, was bought for \$8,580 by a New Jersey dealer.

An oil painting of the Rio Grande River by Albert Groll fetched \$7,920 and Claude Raguet Hirst's "Still Life with Peaches" sold for \$7,480 to a New York State dealer. The same price was paid by a pri-vate Hawaii buyer for Joseph Henry Sharp's landscape of the Honolulu coast.

Annalena McAfee

Rodrigo Festival

The Bournemouth Sip- ance until now. The première fonietta, sponsored by Citicorp/ will be conducted by Raymond Citibank, will present a festival Calcraft. devoted to the Valencian-born Achucarro (piano) will be the composer Joaquín Rodrigo on soloist in the British première the South Bank from March 3 of Rodrigo's Concierto Heroico. to March 15,

Francisco. Approached by the lowed by two British firsts: the Franciscan order in 1981 for a Concierto para una fiesto, composition to honour the 7th played by its dedicatee Pepe centenary of St Francis, Rodrigo Romero. and the double Concentenary of St Francis, Rodrigo completed the work in 1983 but cierto madrigal when be will has withheld it from perform- be joined by his brother Angel.

In the same concert Joaquin

On March 6 no fewer than three Among the works scheduled guitar concertos will share the is the world première on programme with Respighi. The March 15 of the Cantico de Son Cancierto de Aronjuez is fol-

Awards for small music groups

The Arts Council has awarded granis totalling over £22,000 to ance material and rebearse the eleven groups of musicians, the music of Monteverdi's contem-The recipients include the Winds (£2,200) to extend their

Gabrieli Consort and Players repertoire

first to be made under a new porariea: Metanoia (£2,550) to project scheme in line with the policy of increased support for chamber music.

Almeida Thearre: and Classical

FINANCIAL TIMES

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Friday January 24 1986

It cannot go on like this

terday did anything to allay it and indeed since Mr Neil Kinnock, leader of the Labour Party, is seeking an emergency debate the affair is likely to continue for a while yet.

The future of Westland itself was always a relatively small matter and is no longer at the centre of the argument. What has emerged in the last few weks, however, is a picture of a squehhling cabinet and a Prime Minister who declines to take full responsibility. There is still no sign that the personal about to stop.

Not one of the principal characters comes out well: neither Mr Michael Heseltine, former Defence Secretary, nor Mr Leon Brittan, Trade and Industry Secretary, and least of all Mrs Thatcher. Mr Heseltine carried his campaign for the European solution to the West-land problem beyond the bounds of the tolerable. A more decisive Prime Minister would have dismissed him, or at least ensured that be shut up, be-fore he resigned. Mr Brittan has made mistakes of judgment, particularly in dealing with the House of Commons. Even where his judgement has been correct, he has allowed himself to be over-ruled. For example, it was he who said Mrs Thatcher should make the statement a week last Monday and that the leaked letter from the Solicitor-General should come from No 10 Downing Street, not from the Department of Industry. He is now in a distinctly uncomfortable cosition.

Own version

Mrs Thatcher would never had to have made the statement yesterday if she had realised the implications of the affair from the start. As It was, she dodged questions, Where was she, for instance, on January 6 when the leak was authorised?

THERE IS no point in understatement any more. Mrs Margaret Thatcher's Government is
in the midst of a severe political crisis arising from the Westland affair. It is e crisis of
confidence in the Prime
Minister's authority and her
manner of handling government
husiness. Nothing that sha said
in the House of Commons yesterday did anything to allay it
studiously to avold an answer.

Above all, the Prime Minister
gave the impression yesterday
of seeking to defend herself
rather than stand up for her
colleagues. The way the leak
was done was wrong she said,
hut she had not been told about
it. She sounded more frightened
of Mr Heseltine than loyal to
Mr Brittan. It would be entirely
understandable if the latter understandable if the latter were now tempted to release more of his own version of the affair. It would not be flattering either to Mr Heseltine or to Mrs Thatcher.

That, however, would be to invite further recriminations in an affair that has already been allowed to go on too long and is dragging down the Govern-ment's reputation. The recent uncerteinties in the markets may have more to do with the may have more to do with the oil price, but it can hardly be denied that political instability has become a factor. A government that now has to put up interest rates—even if it may be right to do so—is going to look tarnished: reacting to its own

Personal rivalries

the old Tory loyalty in times of trouble has so far failed to assert itself. Some attempts have been made to rally the troops from the back benches, but they have been strangely unreceptive. It is almost es if MPs are simply watching a drama unfold and wondering what will happen next. opposition is utterly justified in making the most of it, as any opposition would.

Mrs Thatcher and the

Government can probably recover. A good meeting of the 1922 Committee of back-

the government machine.

But there is not much time left. A government that becomes labelled as incompetent and ridden with internal divisions does not bounce back overnight, as the Labour Party when the leak was authorised? Conservative administration in When was she first told about the manner in which it was millan's premiership. It is not done? The questions may not be of the greatest importance not to be anything like as bad now that the damage is done, but it does not look good so go on like this.

Reshaping of the legal profession

practitioners and of specialists who could be either solicitors or barristers. Solicitors should be allowed to pleed in higher courts now reserved for harristers, and barristers should be allowed to bave direct contractural relationships with clients without the intermediary of a solicitor. It follows that Higb Court judges should he selected not only from har-risters but also from solicitors.

The legal profession so reshaped would be based on com-mon training of solicitors and harristers. Individual lawyers could leeve the determination of their career until after they bave gained some experience and shape it in accordance with their talents and with the demand for their services.

Grave mistake

The purely defensive stance adopted by the Bar in response to the solicitors' pressure does not seem very wise. The public to the solicitors pressure does not seem very wise. The public respects tradition and cherishes eccentricity, hut only within reason. The Bar's pride in the Inns of Court, quaint mores, wigs and even a certain amount of introspective arrogance could well survive, hut not the ineistence on continuing the monopolistic practices of medieeval guilds into the 21st century. By mobilising backbench barristers against any change, by opposing

To prepare them for the role of legal advisers to business, the training of lawyers will have to embrace a wilder horizon than it does at present. There should be greater mobility between private practice and employment as in-house lawyer. In-house employed have the same eccess to courts as practitioners and barristers as practitioners and be subject to the same professional discipline. mobilising backbench barristers against any change, by opposing in the Cyril Smith case the unified profession embracing appearance of a solicitor in the gapearance of a solicitor in the High Court even on a purely formal occasion, the Bar brought on itself more than the solicitors dared to hope for: a brought before them and in-Court of Appeal declaration that the Bar has no monopoly of the higher courts. The judges are now contemplating whether they should allow solicitors a greater role.

only the requirements, jealousles and internal pressures of
the two branches of the profestion ware takens of the profession were taken into account in side track. It could and should any future change. To succeed, move into the meinstream. The the profession must take into solicitors seem to have grasped account the changing demands this, it is now on the Bar to for its services. These are at follow.

THE BLUEPRINT for the future of the English legal prefession presented for discussion by the Law Society last week legal aid. The legal profession misses out on the middle strata uniform legal service. It should consist of a network of general practitioners and of specialists delays and high costs one example. litigation is only one example of bow the present system puts the medium and small entreprencur and innovator et the mercy of those who can afford the exorbitant costs of litiga-

Greater mobility

reater role.

problems of developing areas
It would be a grave misteke if of law into perspective and to

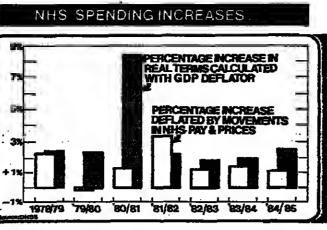
What is astonishing is that

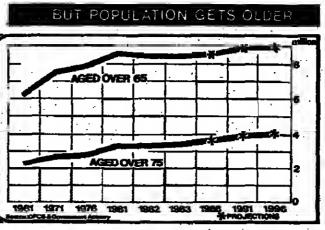
benchers might belp. So would some indication that the Cabinet is willing to work together. Not least there might be a franker ecknowledgement that mistakes have been made, that behaviour has been petty. and that personal rivalries have interfered with the running of

However, the reduction of legal costs, though important, should not be the only aim of change in the legal profession. change in the legal profession. The removal of the historical end now obsolete division should free the Bar from its dependence on litigetion. It should turn the attention away from legal technicalities and towards the need for common sense solutions. It must he repeated that the main task of a lawyer is to prepent disputes.

To prepare them for the role

Britain's Health Service







Why more money seems less

By Robin Pauley

Between the financial year Between the financial year which ended in April 1983 and today, total NHS expenditure has risen from £12.49bu to £14.15bn, a rise of 13.3 per cent, while general inflation as measured by the GDP deflator has risen by 10 per cent. In its manifesto the Labour Party promised to incorrect NHS its manifesto the Labour Party promised to increase NHS spending by 3 per cent a year in real terms. If this had been fully met, expenditure on the NHS by the end of the current financial year would be only £418m higher than it is going to be—a significant but not earth-shattering amount.

So wby is it that the Prime Minister has to work increasingly hard to convince the country that "The bealth aervice is safe in our hands," and why is the Government so often accused of pummelling if not mortally wounding the NHS?

The answers require examination of a variety of different statistics within the NHS to-gether with an ettempt to set public perceptions and expectations against reality. Since 1978-79 overall expendi-

ture on the NHS has risen by 20 per cent after allowing for general inflation. This raises the first difficulty because NHS costs are not the same as for the general economy. Although costs are not the same as for the general economy. Although general inflation may be the best guide to the demands the NHS is making on the economy. 7 per cent of the £3.4bn cost of the service compared with 1978-79—much of the increase in the costs of the family gives the best picture of services is as much to do with resources actually available to the NHS.

This means that around 1 percentage point has to be added to average inflation each year to take account of the rapid increase in the number of all received in the number of the results. of old people, plus at least another 0.5 per cent to take account of the high levels of

Economics, says the Government persistently underestimates these NHS factors, "Between 1978 and 1982," he "Between 1978 and 1982," he says, "the number of people in England over 75 grew by 250,000. At 1982-83 prices they would baye used up another £210m of extra spending on the assumtpion that ahout £840 of extra spending per bead is required for this age group. In fact only £135m was available." fact only £135m was available."
The two sectors of the NHS with which most people are most familiar are the family practitioner services through their local GP, dentist, optician and pharmacy, and the bospital

There are more GPs, more health centres, more dentists and more pharmacies now than ever before, with the result that walting time for appointments has generally been reduced even though the ageing popula-tion means demand for all of these services is constantly

If people think the NHS is being squeezed in this sector it is not because the service appears to be declining but because, unless they are in the exempt groups like pregnant women and schoolchildren, they bave to pay for more of it out of their own pockets.

with improved service.

The hospital sector is probably of greatest interest to the public and it is in this most sensitive sector that the Government's record looks most questionable.

if you are on the waiting list for bospital admission. The waiting list was 730,000 in 1979 and is still 680,000 today, although it has come down from almost 800,000 in 1982. A College of Health analysis shows 68 per cent of urgent (as opposed to emergency) cases waiting more than a month and thousands of non-urgent cases waiting more than a year,

Nor does the record look too good if the annual percentage changes in actual Input volumes

implies greater pressure on staff, productivity and efficiency improvements notwithstanding. The total number of NHS staff has risen from 773,000 in 1978 to 816,000 in 1985 but within these figures are fells every year since 1982 (829,000) while the demand for services has the demand for services has

The number of nurses, more important in many ways than doctors for patients' day-to-day well-being in hospital, increased from 358,000 in 1979 to 397,000 in 1982, stayed static until 1984

At a time of rising expectations, Britain is spending proportionately less on its health service than many other major countries

grown each year.

or "real" expenditure are cal- and rose slightly to 401,000 in culated for the bospital and 1985. community health sector of the community health sector of the NHS. The rise was 0.9 per cent in 1980-81 over 1979-80 followed by a rise of 2.5 per cent in 1981-82. Since then there has been virtually no increase in revenue spending in real terms. The rises for the two years after 1981-82 were only 0.2 per cent and 0.8 per cent followed by a cut of 0.1 per cent in 1984-85 and then erowith of less than 1 per cent growth of less than 1 per cent again in 1985-86. Therefore spending on hospital services. has been much less than on the NHS as a whole and revenue expenditure has certainly been failing to keep up with the higher levels of demand

Put another way, the proportion of NHS spending on general and acute bospital and maternity services has fallen from around 42 per cent during

Another cause of pressure,

reducing improvements to services, is pay for NHS staff which, es elsewhere in the public sector, has consistently exceeded the Government's very low targets. As NHS budgets are cash limited, pay awards over the target have to be met from existing resources or efficiency improvements. What heppens outside both

the hospital and the GP surgery also affects public attitudes. For example, the policy of moving some mentally ill people out of institutions into the community, together with the general policy of having people at home or in the local community rather than in hospital, has important implications for local support services, most of which are the responsibility of the local authority.

account of the high levels of modern medical technology costs in the world market.

These two factors alone take apparent real increase in spending since 1978-79 down from 20 per cent to just over 8 per cent, or barely 1 per cent more in-patients, 60 per cent words of the patient, below a string of improvements: 15 per 8 per cent, or barely 1 per cent more day cases, 9 per cent over-estimating the real gain;

"The critical test of a health the last Labour administration to about 37 per cent. However, the needs of the patient," Mr to the 1960 services for the mentally ill and the level of resources calculated services for the mentally ill and as necessary to secure equal this only continues a trend started by the Labour Party as it also reduced the proportion, a yeer on average since 1979.

So while in-patient beds and the level of resources calculated services for the mentally ill and mentally bandicapped show a screes to health care for people it also reduced the proportion, a yeer on average since 1979.

There have been two consequences: expenditure on outpatient attendances of the patient beds and the level of resources calculated position as heed of the queue mentally ill and as necessary to secure equal fall of about 2.5 to 3 per cent of equal need. The other nine would require Britain to allower.

There have been two consequences: expenditure on outpatient attendances of the patient, which had been 44 per cent in this implies a hefty transfer of regions were between 4 and reg

Left won power in 1981-the

newspaper said the socialist policies were favouring the

Announcements of bospital closures are more often seized on hy both the local communities affected and opposition politicians than new developments.

In fact, the Government's re-

cord on NHS capital projects is substantially better than that of the last Labour administration, which concentrated on staff and which concentrated on stan and services but not on improving and replacing hospital buildings.

The last Labour government cut capital spending by a third; since 1979 capital spending has risen by more than 20 per cent in real terms and is now running at any other common com et around £800m e year com-pared with £365m ln 1978-79.

However, this does not meen there is not an outcry when either services are reduced or old hospitals are fully or par-tially closed in other areas. This raises the next issue, which has been partly responsible for keeping the question of hospital services firmly in the public

The Government is attempting to re-allocate resources within the NHS to give more to the poorer regions in northern England at the expense of the east which heve always done led the world, spending 3.4 per cent of GDP on public sector east. As the real increase in health programmes compared resources is, at best, very small, with an average 2.5 per cent for this re-allocation means thet the OECD states. By 1981 London and the south east is suffering real cuts while the cent of GDP compared with 3.9 cent and Midlands enjoy a new cent by Sweden. At least north and Midlands enjoy a per cent by Sweden. At least modest though long overdue seven other states spent a

between 6 and 15 per cent above

SINCE the last general election, the Government seems to have gona more than half way to keeping the Labour Party'e manifesto promise on the emotive subject of National Health Service spending.

Between the financial year

Service Seems to have gona more than half way to keeping the Labour Party'e manifesto promise on the emotive subject of National Health Service spending.

Between the financial year

Service seems to have gona more than the private medical and 3 per cent more people dealt within accident and emergency centres, and all in fewer beds and shorter hospital risen by only about 1½ per cent. The rise between 1978 and shorter hospital risen by only about 1½ per cent. The rise between 1978 and the down on their 1979 proportion required for the most advanced in the number of in-patients and 3 mout-patients and 3 mout-patients and 3 mout-patients implies greater pressure on staff, productivity and efficiency in provements notwithstanding.

The first between 1978 and all in the number of in-patient care bas social services section that spending on in-patient care bas social services section that than 5 per cent below. The over the past five years, while the authorities below par, and all in the health end personal services section that than 5 per cent below. The over the past five years, while the authorities below par, and the emergency centres, and all in the number of in-patient care bas social services section that than 5 per cent below. The thealth is part of the authorities below par, and the past five years, while the medical services section that than 5 per cent below. The thealth seeking to the authorities of the authorities the authorities oblow. The thealth end personal in the health end personal thealth and of in the number of hy very real crises develop-from such important centres of excellence as University

new pressures.
While this demonstrates that increases and decreases in NHS expenditure are not all that they seem, there are two important factors which complicate the issue still further.

One is capital expenditure.

One is capital expenditure.

To avoid situations such as a part of the cut-backs.

To avoid situations such as UCH closing wards due to lack of cash, or Guy's announcing it may heve to restrain its renowned cardiac and renal programmes, Mr Fowler should probably have tried to give the poor areas relatively more that the better-off rather than force real cuts on the south. He now seems to have accepted this by announcing a review of the system of resource allocation

In sbort, the disaggregated figures show that the Government is neither doing as well as it claims nor as badly as its opponents claim; some areas and sectors ere improving, others are declining.

But on one count the Government is clearly not doing well and this more than anything might account for the long build-up in the public mind that the NES is in mortal decline; as the country's wealth, living standards and life expectancy go up, so do expec-tations. Yet Britain spends a lower proportion of its national wealth on the NHS than many

In 1960, Britain end Sweden higher proportion than Britain When the Government took which was below the 5.8 per office, the four Thames authorities and Oxford were all proportion is now 4 per cent.

But to return to the 1960

Hall retires from Hawker

It was typical of Hawker Siddeley's low profile style that the announcement of the retirement of Sir Arnold Hall, the group's chairman for 18 years, was mada in a six-line state-

And only three of those lines were devoted to Hall, one of Britain's most distinguished engineers and industrial man-agers. The other three recorded that Sir Peter Baxendell, former chairman of Shell, would become the new chair-

Hall first came to prominence as bead of the Royal Aircraft Establishment team thet in-vestigated the De Havilland Comet disasters in the 1950s.
And he has led Hawker Siddeley since 1967 through a period of major growth, in a lawyer is to prevent disputes, a task which should be made more rewarding than it is at present.

period of major growth, spite of the nationalisation its large aerospace interests 1977 and the severe recession of the early 1980s. its large aerospace interests in 1977 and the severe recession of the early 1980s. Again, in Hawker style, both

when the announcement was made yesterday, and thus un-able to comment on a milestone

able to comment on a milestone in British industry.
Hall, who is 70, might have argued that it is not much of an event hecause he has gradually been disengaging from Hawker. In 1981, he gave up the managing director's joh and in 1984 became non-executive chairman although these-time chairman although these tive chairman, although there is no evidence that his influence at the group's London head-quarters has declined.

Hawker is planning to bring

out a new corporate identity scheme later this year, but it remains to be seen if the transition in the boardroom will bring about any significant changes. Baxendell, who is 60, seems year much in time with seems very much in tune with tbe Hall style, an intellectual (his field at the Royal School of Mines was petroleum tech-nology) who became a successful manager. He made bis name at Shell on the develop-

Men and Matters

to keep a low profile, and operate in a very decentralised way.

Sea change

Who says thet the job of a merchant navy captain is ever more mechanical and boring? Capt Gerardo De Rosa, the voluble but canny captain of the elderly cruise liner, Archille Lauro, would not

It was his ship, of course, that was hijacked by Palestinian terrorists last October. For 52 hours, De Rosa was at the centre of a drama that claimed the life of Leon Klinghoffer, an American passenger but late. American passenger, hut later ended happily for the other passengers and crew.

Now Francesco Palagi, an Now Francesco Palagi, an Italian film producer, is planning to make a film of the atory. He has chosen none other than Da Rosa to write the draft script. The delighted mariner has already completed the first scenes, starting with the moment when the first officer tapped on his cabin door to appounce that there were to announce that there were terrorists on board, and was told not to talk rubbish.

But the path of the author is never easy. Italian magistrates, reading of De Rosa's

new activity, have warned that the incident is still sub judice and that, for the moment, he should put down his pen.

Money talks

Pierre Beregovoy, the perennially perky Socialist French Finance Minister, is plainly enjoying while be can the lime-light accorded to travellers on the international monetary

ment of the group's interests in Nigerie, where he worked for much of the 1960s and eerly 1970s. Like Hall, he has tended ministers' meeting in London,



and a trip to New York to meet hardened US hankers, Bere-govoy brushes off questions about parochial French issues such as the opposition's de-nationalisation plans. He says be has been out of the country so much that he hasn't had much time to read the news-

If, as expected, the Right wins the general election in France next March, Beregovoy could soon be out of a job.

Meanwhile, he is making the
most of praise heaped on
socialist economic policies by New York bankers.

munists quit the government in 1984—hit out this week at Beregovoy

Reflecting on the "orgies" teeth." taking place on the Paris bourse—where share prices

have nearly tripled since the

bourse-

All of which leaves Bere-myov unperturbed. "I take govoy unperturbed. "I take criticisms from L'Humanite often as a compliment," he says.

Spartan prospect Frank Fitzpatrick is clearly the

happen to.

Less than 18 months ago when he was BL finance director be was epproached and offered a top planning job at Midland Bank. Now it has happened again. "I was sitting bere minding my own business.." he says. On the line were beadhunters wondering whether he might be interested in being the next finance director of the BBC.

Fitzpatrick, who is a long way

director of the BBC.

Fitzpatrick, who is a long way from being a publicity-seeker and has never appeared on television, admits that after the initial surprise he was intrigued by the possibility. "I regard the BBC as one of the best broadcasting organisations in the world as far as one can tell from this island."

Tha prospect of heing finan-

tell from this island."

The prospect of heing financial supremo in an organisation that will soon be handling sums close to fibn a year, instead of number two to Midland's group financial director Michael Julien, appealed.

The move from the City to Broadcasting House will probably hurt a hit. Gone are the bonus schemes and most of the perks of the City. "The BBC looks cheese-paring, very fight looks cheese-paring, very tight indeed. Certainly spartan by City standards," says the cor-

poration's new finance director.

Off-takes

New York bankers.

The communist daily station: "In People's China, the workers take the lead."—
and written underneath: "In capitalist Britain, they also

Observer

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the use of artificially-implanted hormones as growth promoters in beef production. The move, which takes affect in most Community countries in 1988 and one year later in Britain, follows five years of intense lobbying by consumer and "Green groups in continental Europe.

Scientists appointed by the European Commission actually cleared three of the five hor-mone products involved as safe for use in meat production in 1982, and were on the point of giving a clean bill of bealth to the other two.

But such evidence was swept side in the European furore. Consumer groups argued that the public wants food produced without interference from artificial techniques or substances. To spice the issue up, there were horror stories of massive bormone doses being dis-covered in vaal-based baby foods in Italy, and of a larga black market in the products in Belgium, Luxembourg and

The scientists are furious at what they see as a cavalier dis-regard of their views by

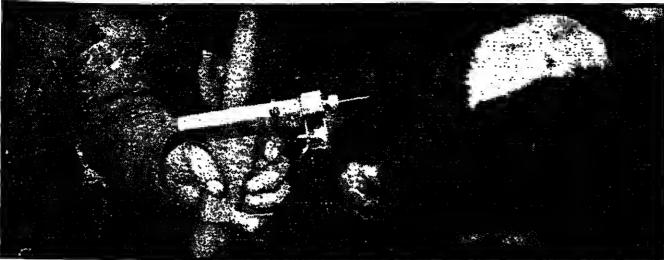
And although many farmers And although many farmers in Europe were prepared to go along with the ban, those in the UK—the EEC's higgest users of hormone products—are hopping mad. They see the decision as an important defeat for their intensive production techniques at the hands of what they see as an ill-informed consumer lobby. The move also threatens to

make a small but significant dent in chemical companies' lucrative sales to the farming industry. Furthermore, the manufacturers are warning that the decision puts at risk sizable amounts of blotechnological amounts of blotechnological investment in similar products aimed at tampering with animal metabolisms—not to mention the vast sales of pesticides, fertilisers and animal antibiotics which they fear may be next in line for consumer action.

And there may be additional ripple effects in the EEC's trade with other meat-producing countries—principally the US, which exports about \$100m worth of heef products to Europe a year, mainly in the form of offal. American farmers are blg users of growth-promoting hormones, and there are fears that they may find their exports kept out as a result, the possibility of retallation

Within the EEC, though, the strongest initial effects of the ban will be felt in Britain and ban will be felt in Britain and Community countries. The Ireland. British farmers use chemical companies worries more hormone implants than focus, though, on the implicancy other European farmers tions for other related sectors because they produce a large of their business.

EEC HORMONES BAN



Sussex farmer Martin Holden with beef cattle and bormone implant gun

Another shot of politics for the beef farmer

By Andrew Gowers in London and Ivo Dawnay in Brussels

quantity of their £1.92bn worth of annual beef output from steers (castrated young buils). These animals respond to implantation of hormones by growing up to 10 per cent faster than they would otherwise; young uncastrated bulls, which form the backbone of beef production in West Germany, for example, do not need such growth promoters.

The National Farmers' Union reckons that the decision to ban bormones will cost the British livestock industry about £40m a year in lost efficiency, and add 4p a pound to the price of beef in the shops. In addition, say the farmers, lt will interfere with the aim which their marketing surveys tell them ought to be para-mount in meat production: providing leaner beef to satisfy the anti-fat lobby.

As to the manufacturers and distributors, such as Fli Lilly's subsidiary Flanco, Hoechst of West Germany and Syntex, the immediate loss is small; the British hormone product mar-ket is worth only £5m or £6m a year, and hormone implantation is already banned under national legislation in several

Take Eli Lilly, for example. The company is at present con-aidering whether to undertake an investment costing tens of millions of pounds, involving a millions of pounds, involving a growth promoter for dairy cattle, at its Liverpool plant. But its US parent's attituda to UK investment has already been soured by the British Government's decision to restrict the drugs that can be bought under prescription on the National Health Service.

could well be the last straw. What has really upset farmers, manufacturers, scien-

tists, British Government ministers and even some consumer organisations is the way tha decision was taken—politically, without waiting for the full scientific evidence on the subject.

Mr Michael Jopling, Britain's Farm Minister, is considering a legal challenge to the decision in the European Court on the grounds that it was taken by a majority vote rather than unanimously. Ministerial unanimity under Article 100 of the Treaty out hormones," says an of Rome has normally been reexecutive with another quired in the past veterinary matters.

More importantly, the companies worry that the overthy in Europe on non-factual "political" approach may grounds there's no future for eventually be brought to bear us here."
on the intensive use of To u

fertilisers, antibiotics and pesti-cides in agricultural production. Many consumer groups believe there are greater grounds for legitimate concern here than in the case of bormones.

"The EEC has not progressed one step with this decision," says one prominent British consumer lobbyist. "Of the three issues—pesticles residues, antibiotics and hormones—hormones are by far the smallest as a health

One of the most worried companies is the US fertiliser giant International Minerals and Chemicals. It has a substantial share of the world bormones market with Ralgro, distributed in the UK hy Crown Chemicals, a small independent company hased in Kent. IMC fears that the EEC decision could prompt governments in other meat-producing countries—particularly in the Third World—to question the use of

"Sure, we can survive withexecutive "But we are a company. science-based company, and if things are going to be banned

hormones.

decision, it is necessary to go hack to 1980, when consignments of veal-based beby food in Italy were found to cootain huge quantities of the bormone diethyl stilboestrol (DES). There were reports of male babies growing breasts as a result and et one point, consumption of yeal in its prime Italian market dropped by 60 per ceot.

The upshot was a Communitywide ban on the use of stilbenes (the generic term for the group of hormones including DES).

But as far as the consumer groups were concerned, the damage had already been done, The Bureau of European Consumer Unions (Beuc) launched a campaign for an outright ban

The consumers argued that an outright ban would ensure all farmers were treated equally, that it would be easier to police than selective restrictions and would remove inceptives to use veterinary or other devices to find a way round the rules; and that it would curb the further growth of the EEC's record beef

Whatever the facts, the campaign struck an emotive chord in a number of European countries—particularly West Gerinterest will reverse the hormones
many, where the influence of ban. The best, perhaps, that the
the Greens remains a potent
force—and led finally to a is that the rot stops there.

in June 1984 for a ban on the most common artificial products, trenbolona acetate and

The Commission argued that no scientific evidence existed for the outlawing of the "natural" bormones progesterone, testosterone and oestradial 17-beta. These three were cleared by an expert committee appointed by the Commission and chaired by Prof Eric Lamming of Nottingham University.

Despite a lukewarm initial response to the idea from ministers, political pressure continued to grow-resulting in a massive vote in the European Parliament in favour of banning all growth promoters last eutumn, and the Commission's subsequent proposals for a com-

Prof Lamming does not dis-guise his amazement over the way his committee, involving 30 inent scientists from 10 EEC member states, has been treated. member states, has been treated. He had been planning to complete his report on the remaining two bormones by the end of last year, But io October, following the Parliament vote, his group was summarily disbanded by Mr Frans Andriessen, the

"If you legislate in haste, you repent at leisure," Prof Lamming said this week. "He (Mr Andriesseo) not only disregarded what we were going to say, but what we had said. His suspension of the group came as a complete

"Certainly this is without precedent in any scientific advisory committees to the national gov-ernment. And in any case the majority of my working group considers the current draft directive unworkable."

Mr Andriessen is unperturbed. Do you really believe that public opinion is concerned by scientific judgment or by a political decision?" ba asked at a press conference in London last November. "In public opinion, this is a very delicate issue that has to be dealt with in political terms. Scientific advice is impor-tant, but it's not decisive."

Mr Tony Venables, Beuc's director, believes that legislators were persuaded to go for a com-plete ban by the beef surplus argument. "If we have a beef mountain of 700,000-odd tonnes, it only makes matters worse to use out-of-date hormone growth methods," he says. "And why should legislators be bound by scientific committees? " Significantly, the same argu-

meots have been applied to the role of fertilisers in contributing to the cereals surplus even by some senior figures in the National Farmers' Union. Few people now believe that the Commission or the farm minLombard

Time to fall in step with Japan

By Michael Prowse

THE Alice in Wonderland world of international finance is packed with the strangest sights and sounds. One of the delights for aficionados of this theatre of the absurd is the way American and European poli-ticians shamelessly lecture the Japanese on economic policy. Deregulate that, boost this, export less here, and so forth; the advice is never ending. The motto of the Bakers, Lawsons and Beregovoys of this world seems to be: if you only emulate us, your problems will be solved.

It as though a collection of dunces were assembled to lecture e school's scholarship class. As the Japanese economy matures it is undoubtedly encountering new strains and pressures but it still remains an outstanding example for the rest of hie industrialised world. To argue that Japan must change its ways because the world is its ways because the world is marching to a different tune makes no sense. The odd thing is that the Japanese are still so meek and so easily lectured.

A good example of the double-A good example of the double-think that is enveloping the financial community occurred in London last weekend at the G5 meeting. Mr Norboro Takeshita, the Japanese finance minister, announced that he was reviewing the system of tax incentives for saving that have been a hallmark of the Japanese economy for decades. It looks possible that the policy of allowing the first transfer of the same of ing tax-free interest incoma on small savings accounts up to the equivalent of about £10,500 will be reversed.

Hallowed

Mr Takeshita has no donbt noticed that in "advanced" economies such as the UK or the US, a quite different set of fiscal policies holds sway. As in other areas of economic policy he now seems to be scurrying to jump into line. The hallowed Anglo-American doctrine, lovingly embraced by politicians of all stripes, is that tax incentives for borrowing, particularly for house purchase, are absolutely essential. The different fiscal regimes partly explain why in 1984 gross

savings were 32 per cent of GDP in Japan compared with 19 per cent in the UK and 17 per cent in the US.

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The wrongheadedness Japanese tax policies is, of course, damonstrated by the fact that Mr Takeshita has had to jump through a series of artificial hoops in recent months in order to get his interest rates up closer to the respectable level of countries like Britain and America. If only the Japanese would adopt sensible Baker-Lawson incensensible Baker-Lawson incentives for consumer borrowing. Tokyo too could enjoy interest rate high enough to cripple domestic industries. Such a public spirited action by Mr Takeshita would help ease those protectionist pressures Japan has thoughtlessly fanned by producing quality goods so cheaply, and belp get the dollar down.

Deliberate

The irony unnoticed by the world's finance ministers is that there are no "incentives" as such for personal saving in Japan. All the Japanese do is refrain from the double taxation of savings practised in the UK and US. Fiscal neutrality requires not that interest income be taxed like any other sort of income but that it not be taxed at all. The point that taxed at all. The point that never seems to be grasped is that savings are made out of taxed income; to tax the return on taxed income is to introduce a deliberata hias in favour of

Given the power of Congress and its vulnerability to lobbyists, it is perhaps unsurprising that the US Treasury has failed to reform the taxation of sav-ing. The same cannot be said in the UK. The Conservatives have a huge majority and Mr Lawson with a stroke of the Budget pen could introduce in Britain the tax system Mr Takeshita is so keen to dismantle. Besides encouraging thrift and investment (surely bona fide Thatcherite Ideals), It would do much more to promote a share-owning democracy than the sale of state assets at

Fixed exchange

From Professor A. Meltzer Sir,-Rumours of a return by Britain to a fixed exchange rate filter across the Atlantic periodically. Once again, the rumour comes that Britain may choose to join the European monetary system. I hope the rumour is false because, I believe, a fixed exchange rate with the EMS is the wrong policy for Britain, especially at this time.

The pound is often described as a petro-currency. This overstates the case, but it is none the less true that the external value of the pound changes with the price of crude oil. The pound strengthens when oil prices rise and conversely.

Dollar oll prices are expected to decline significantly in 1986. If these forecasts are correct, as speculators now believe, the real value of a barrel of oil in pounds may decline as much as 20 per cent in 1986. If Britain retains a fluctuating exchange rate, a decline in oil prices of this magnitude would cause the pound to depreciate against other currencies, particularly against the currencies of oil importers. Depreciation would raise the domestic prices of imports but would increase exports, production and em-ployment of non-oil goods and

The principal countries in the The principal countries in the EMS are oil importers. Fixing the exchange rate for the pound against the currencies of these countries imposes a contractive policy under the circumstances anticipated for 1986. To maintain a fixed exchange rate, Britain would have to raise interest rates and depress the domestic economy if the anticipations prove to be correct. pations prove to he correct.

This seems a poor policy for Britain in 1986. It exposes Britain to the type of problem experienced in the 1920s, when employment was sacrificed to maintain a fixed exchange rate. While there are many differences between the present and ences between the present and the past, there is no difference in the principal effect of a fixed exchange rate: the internal value of the currency must adjust to its external value. When internal prices and wages adjust alowly, disturbances abroad impose costs of adjust-

ment at home. It is difficult to see the bene-fits to Britain in 1986, or over a longer period, that would offset these costs. Those who point to the greater stability of exchange rates should not stop with that observation. Stabilis-ing the exchange rate is not costless, but costly, and in my opinion more costly than allow-

Letters to the Editor

ing exchange rates to fluctuate. (Professor) Allan H. Meltzer. Carnegie-Mellon University, Schenley Park, Pittsburgh, Pennsylvania

Writing risks in the US From Mr R. Sheehan

Sir,—As an insurance broker woefully short of market for US legal liability risks 1 was interested to read your article of January 16. I hope that Messrs Nader and Hunter will be competing construction to do something constructive to assist the present capacity problem. As I am sure it is realised it is capacity which has one of the greatest infinences on price.

In practical terms may I suggest that they seriously think of forming an insurance company to write the risks which they presently perceive as being overpriced or where no market is available. While I would encourage them to do I would encourage them to do so, I would have to point ont certain important facts. In order to avoid the recent problems where many insurers pulled out of the classes like US legal liability business they would have to convince prospective clients that they will be able to "stay the course." As I am sure they realise it takes a long time to settle legal liability claims: the injury needs to manifest itself; there has to be an investigation into has to be an investigation into the cause; and there has to be an adjudication that the assured is legally liable. This

can take many years, in some cases such as asbestosis claims it can be decades. The insurers must still be in business to settle the claims. Of course the settle the claims. Or course the longer you stay in business the more policies you write requiring you to stay in business longer and so on ad infinitum. Also they would have to con-vince prospective clients that they could run an insurance

company competently. They will need to underwrite competitively, but sensibly. They must administer the company, handling policywork, premium investment and claims. The claims side of the business is very important so they will bave to investigate the claims bave to investigate the claims astisfactorily, pursue rights against third parties and pay the claims. There is one erumb of comfort, they probably will not have to look too far for husiness. There is plenty of it about. Just convince tha concerned, the City experts fail to differentiate between the various sectors which, combined, are referred to as the travel trade.

An example of this lies in the present price war between, principally, Thomson and Inta-

huyers that they will be a good long-term market, particularly when competition revives.

A very important aspect of course is adequate capitalisation. By and large it is a good thing to have reserves but this may not be vital since they may not be vital since they would be just starting up. They would do well to stick to the 2 for 1 ratio that Lloyd's applies, for the security of the policyholder. Of course this would mean a capital in excess of \$1.5bn if they were to attempt to depose Lloyd's in the US. This is based on the \$3bn fourse given in the article 33bn figure given in the article though 1 must admit 1 was under the impression that the figure was twice that amount — In which case the capital

would have to be \$3ba. There is an urgent need for more capacity so its probably best to get into the capital markets as quickly as possible and not waste tima talking to the British Labour Party. Some one is bound to point out to them that its primary duty is owed to the British taxpayer and it would be inconsistent for it to give its support to a crusade which is entirely designed to maintain and indeed enhance e higher standard of living in the US at the expense of Britain's invis-

ible export earnings. Besides talking to capital markets it would be of great help for them to talk to anyone who could improve the legal climate in the US. This applies to court awards and legislation. If they can do something to temper the present situation it would greatly assist the chances of survival of any insurance endeavour they might start np.

I do hope that they will appreciate this advice.

Richard A. P. Sheehan. 50 Cadogan Place, SW1. The travel

trade From the Chairman, Exchange Travel Holdings

Sir,—The expertise of the City of London in terms of financial services is assumed to be second-to-none in the world. I beg to differ! As far as the travel trade is concerned, the City experts fail to differentiate between the

sun. The City's attitude to this is "Steer clear of the travel trade!" Yet retailers in the High this price war as it stimulates holiday purchases far in excess of the lowering of income from reduced prices. Thomson alone has increased its summer capa-city from 1.1m in 1985 to 2.25m in 1986 and, due to the sub-stantial penalties it has imposed cancellation or alteration of holidays, the 2.25m must be sold. In the light of these circum-stances, while the tour operating sector will be facing up to low or non-existent profits, the retailers will be in a most profitable phase.
Gordon L. McNaily.

Exchange House, Parker Road, Hastings, East Sussex.

Building cash mountains

From Professor J. Brignell Sir, — Your perceptive editorial (January 17) on the GEC bid for Plessey made the point that this was not autopoint that this was not auto-matically A Good Thing, a point of view not apparently shared by a columnist in the same day's Times. Sheer size does give a company some advantages. As a hypothetical example a company could threaten to put a town ont of work if it failed to obtain a sizeable contract and therefore might nullify the technical argument which points to better qualified competitors. The tah might then be picked up by the taxpayer under a later government. Arguments can raga as to

the management structures of companies like English Electric and AEI but they also had some of the world's most ootstanding research and development teams. Who can judge how much the absent product of such teams is responsible for a current industrial malaise?

A further edvantage of size is that competitors are forced to fall in line with one's policy, whether it is in the national interest or not. Thus if an industrial giant gains an advantage by such actions as reducing profit horizons others may be forced to follow suit.

Plessey is widely regarded as Plessey is widely regarded as

one of the more creative of our major electronics companies, hut perhaps logic dictates that in the current lunatic financial climate its board should sell all the assets and put the money in a building society. Chairmen who stray into taking a long view tend to be nominated for ritual sacrifice in the City. Short term profit and the building of cash mountains seem to bave displaced long term tech-nological investment, but uniquely in the UE.
Professor J. E. Brignell.
Department of Electronics and
Information Engineering.

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FINANCIAL TIMES

Friday January 24 1986



James Buxton reports on growing fears over the survival of the Italian Government

Craxi a victim of his own success

THE ITALIAN Government decided yesterday to seek the codefeat on a clause in the bill yester- decision public.

Wednesday's vote of confidence was called to reverse an earlier defeat on s clause in the Finance Bill. But the practice of calling a vote of confidence - which is virtually routine – did not work its usual magic in reuniting the disparate forces of the five-party coalition that Mr Bettino Craxi leads.

Italian Members of Parliament are, with the exception of the Comnunists, far less disciplined than those of most European countries. Unlike almost every parliament in the democratic world, dissident MPs in Italy can cause grave damage to the governments they are supposed to support, without being found out.

That is because much parlia-

mentary voting is by means of a secret electronic ballot. So governoperation of the opposition parties ment MPs, usually from the large in winning parliamentary approval and factious Christian Democrat in winning parliamentary approval and factions Christian Democrat for the 1988 Finance Bill by the end Party, can vote against their party of this month, after another serious line without having to make their

That is what about 40 govern The defeat came only one day after the Government won a vote of in the Chamber on Tuesday when confidence, but there are now fears that the Craxi Government may not be able to survive much longer in its present form.

That is what about 40 government were deputies appear to have done in the Chamber on Tuesday when they were asked to vote on a clause early in the Finance Bill, which would substantially raise charges for Italy's heavily subsidised unitered to the confidence.

> Their action might not have been decisive, however, had it not been that about another 100 government MPs, out of a total of 366, were absent from the Chamber altogether. Yesterday's defeat was caused by the same combination of factors.

> By presenting the clause again and linking it to a vote of confi-dence in the Government as a whole, the Craxi Administration was able to reverse the defeat the next day. The "franchi tiratori," or concealed snipers, who had voted against the Government, could not repeat their trick because a vote of confidence is taken by means of a public roll call, in which each MP

But the affair still has ominous implications for the Government. The voting on the Finance Bill, which contains a mass of measures that affect everyday life, is usually the time when Parliament is at its most attentive.

For many observers the lack of interest of so many MPs reflects the discontent that has afflicted the whole Craxi Administration for several months

The Government almost fell last October over the repercussions of the Achille Lauro hijacking. Thanks to considerable constitutional ingenuity, it was reinstated with its composition unchanged, but with an objective that amounted to little more than getting the 1986 Finance Bill approved as soon

what would happen after that was - and is - anyone's guess. Mr Ciriaco de Mita, the Christian Democrat leader, has made no secret that it is time his party wrested the prime ministership out of the hands of the Socialist Mr Craxi, and pretend it to a representation of the restored it to a representative of the party that has held it almost without interruption since the Second

an early handover of power before avoidable transitions. he faces his party congress for re-

Mr Craxi, needless to say, thinks otherwise. He has been in power for almost 2% years, holding the record for the longest surviving Govern-ment Italy has seen since the Se-cond World War. He enjoys power and the fact that he has retained it so successfully speaks for itself. How much his Government has actually achieved, beyond giving Italy the priceless gift of continuity, is a separate question.

But Mr Craxi's Government is in sense a victim of its own success. Governments everywhere need periodic renewal—new faces in ministerial posts and new policies. But rotation is altering the biorhythms cabinet reshuffles in Italy have of the political world." such serious ramifications affecting the intricate balance of power, with-in and between the ruling parties, that they are normally possible only when there is a completely new

The same has up till now gone for new government programmes. The only ministerial changes the Craxi Government has seen have been Paris-Dakar motor rally; an aver-

Israel believes that Britain and

process but not a substitute for

tain at least a firm commitment on death of ministers or otherwise un-There are now several ministers

who, it is generally reckoned, ought to be replaced, and others who are keen to move from the tedium of office to politically more rewarding party posts. Furthermore, there are plenty of men who did not get ministerial posts when Mr Craxi came to power in 1983 who are still out in the cold - and thus easy recruits for the franchi tiratori.

changed on average every 10 months, that situation would have been remedied long ago. But as Mr Gianfranco Piazzesi, one of the country's leading political commentators, wrote in the newspaper La

Adjusting to the new vibrations emanating from the core of Italian political life is likely to be painful. So might be the coming battle be-tween Mr Craxi and Mr de Mitz over who rules the country between now and the end of the present Parliament in 1988. Meanwhile, the Government might proceed, in Mr Piazzesi's phrase, rather like the

Fed board

nominees

autonomy

PRESIDENTIAL nominees to two key posts on the seven-member

Federal Reserve Board, who some fear might help to tilt monetary pol-icy in a more expansionary direc-tion, yesterday defended the inde-pendence of the Central Bank in

confirmation hearings before the

During more than four hours of questioning Dr Wayne Angell, a professor of economics at Ottawa

University in Kansas, and Dr Man-

Senate banking committee.

defend

By Stewart Fleming in Washington

Black gold at a discount

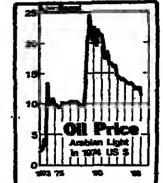
THE LEX COLUMN

The oil market might have exected Saudi Arabia to turn up the heat yesterday and the UK Govern-ment to continue to sit tight, despite the understandable desertion of Norway; but the statements from Sheikh Yamani and the Treasury Sheikh Yamani and the Treasury gave an extra push to tottering prices in the spot market. A cargo for April delivery traded at \$17 a barrel, making the week's early purchases of long-haul crude for Japan look a shade rash.

As for Sheikh Yamani, he ap-pears determined to talk oil prices down until the UK Government, followed by the rest of Opec, give in and take over some of the penalties of swing production. After all, Saudi exports are now running at well over double the absolute low level of last summer, and even on a net-back yield of as little as \$15 a barrel of Arabian Light, Saudi income is running 50 per cent higher than it was then; and it is not as if the Saudi Government has to bear any oil price risk in its exchange rate or face a difficult King's Questions in parliament. Equally, the UK Tressury seems content to repeat the familiar quadratic equation involving the oil price, the exchange rate and the Retail Price Index. Irresistible force meets immovable object. Oil price falls.

Whatever the advantage of falling oil prices for equities in general, the UK market has begun at last to reassess its attitude to the oil sector. This has survived so far on the basis of double market yields (for the majors and Britoil) and a flurry of corporate activity among the ex-ploration stocks. Clearly, a share price such as that of Tricentrol, which yields 10 per cent ou its final dividend alone, is discounting everything short of going bust. Presumably, that is what would happen if companies were to continue their exploration programmes while a falling oil price robbed them of both their tax shelter and the present value of anything they find. For BP and Shell, the prospect of a dividend cut looks as remote as

ever: even without netback deals that transfer the risk of product price falls to the producing country. refining margins - on a current cost of supplies basis - are going through the roof and will not be competed away for some time. However, the prospect of dividend increases at this sort of oil price rests increasingly on the rather unlikely supposition that the likes of



Shell are ready and able to rein in capital expenditure. If dividend growth is off the cards for the next two years, yields for the majors of under 10 per cent must be vulner-able to the attractions of fixed-

approach which may or may not lead to an offer immediately lifted the company's share price by a quarter and left its shareholders on all holdings crumble (at sufficiently paper at least, £144m better off. the company's share price by a

see how that value could be it has bought enough for safety.

many companies with outstanding vestors who have been losing out minorities that unravelling the since the horse-trading started. would no doubt be happy to take players, normal stock exchange both Jaeger and Country Casuals floor trading in Westland has - up off the group's hands for a fancy to a point - reflected the auction price. But Coats is, for the most taking place upstairs. Any remainand the likelihood must be thet the the 130p or so that was available in

By yesterday evening, the stock market had run through about 12 contenders and had alighted on Courtaulds as the most likely bidder. While a friendly merger between the two might have a few merits - Coats could benefit from the injection of the more incisive management of its near neighbour in Hanover Square - Courtaulds would have a job justifying the deal to its shareholders.

Coats hardly squares with the proving earnings quality by acquir-ing speciality chemicals interests in North America. Putting Coats and Courtaulds together would bave much the same effect as merging ICI with a polyethylene manufac-

Now that relative size has ceased to be a restraint on takeover specu-lation, the market has an almost limitless list of other potential bidders to choose from. Entrad, Vanto-The effect that can be achieved pays your money and you takes by a hald, brief statement is quite remarkable. Coats Patons' announcement that it had not be achieved pays your choice.

Westland

Coats is in some respects an obvi-ous target, offering just the combi-nation of brand names, solid assets the time Westland's latest reconand cash generation which ever struction scheme is put to share-eryone on the takeover trail car-holders next week, almost all the rently finds so attractive. But, while shares will doubtless have coagulatit is possible to arrive at a value at ed into two roughly equal and opleast 20 per cent above last night's posing blocks. The value of those price of 201p simply by attributing shares which have yet to solidify is multiples to the earnings of the individual divisions, it is not easy to one or other side is convinced that

If Westland is no investment for Profits from Coats' South American - and even Mediterranean - operations are not of the highest qualal overtones of its 'responsible proity; nor are they easy to remit. prietor act—then it is the more cer-Moreover, Coats is locked into so tainly no place for the individual inbusiness would be a nightmare. Though really fancy prices, like the Precision engineering is admittedly 150p which the Pru accepted from self-standing and a concept retailer Sikorsky, are reserved for large part, an integrated textiles business ing small holders who can still get source of the bid approach lies the market yesterday should surely

French about-face on SDI contracts

By David Marsh in Paris

MR PAUL QUILES, France's Defence Minister, said yesterday he was in favour of French companies taking part in the US Strategic Defence Initiative (SDI) research

In a switch from the Government's previous lukewarm attitude about participation by French groups, Mr Quiles said it would be "regrettable" if companies such as the state-owned Compagnie Géri-erale d'Electricité (CGE) electronics concern could not win SDI con-

Although Mr Quiles said that his statement did not change the French Government's opposition to

His remarks, made during a visit to CGE's research centre at Marcoussis, near Paris, will be interpreted as giving a green light to the cluster of French high-technology companies keen to do business with the SDI organisation in Washing-

They also confirm the view of the US that France will inevitably have to show greater interest in partici-pating in SDI to avoid falling be-hind in key military technology compared with Britain and West Germany. The UK has already signed an agreement with the US over SDf participation, while the details of a similar accord involving German companies are being dis-

cussed by Bonn and Washington. Among the French groups show-ing interest in SDI apart from CGE, whose Cilas subsidiary has a European lead in military lasers - are

Thomson Aerospatiale and Matra The first three companies are nationalised, while Matra - which was the first French group to declare outright public interest in SDI contracts - is owned 51 per cent by the

Up to now the French Government has declared it would not oppose SDI participation by French but has stopped well short of endorsing any such involvement.

During his visit, Mr Quilès an-

nounced that France would be starting full-scale military laser experi-ments at the ballistic missile test in Landes.

Even though France sceptical about the feasibility of mounting a "leak-proof" anti-ballas-tic missile defensive shield, it is interested in exploring means to defend key military sites such as rockfrom nuclear missile attack.

World Weather

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Peres talks in London place more pressure on Hussein

BY ROGER MATTHEWS, MIDDLE EAST EDITOR, IN LONDON

chard Murphy, the US assistant Secretary of State, after what Israe-li officials described as "two nights of agonising over ideas for advan-cing the Middle East peace process. A spokesman for Mr Peres claimed that half of the obstacles that had prevented direct negotia-tions with King Hussein of Jordan had now been overcome. The problems that remained were not easy,

but they were not insurmountable. Israeli officials are confident of King Hussein's desire to make progress, and say he and Mr Peres share the same sense of urgency. "King Hussein knows that one way or the other, he will have to make an historic decision within a few weeks," said an Israeli official. Israel is urging King Hussein and

the strategic concept of SDI, it Western European governments to amounts to a marked change of accept that Mr Yassir Arafat, the tion Organisation, has finally dealt himself out of the peace process. Mr Peres's Aides argue that it has been

Third World

presses Paris

in credit war

THE US Government's \$300m war

chest" programme of cheap export

finance is encouraging some devel-

oping countries to try to wrest even

By Our Paris Staff

MR SHIMON PERES, the Israeli a tragic mistake for the past 20 Iy opposes the Soviet Union's being prime Minister, held further talks in London yesterday with Mr Ricapable of change.

In particular, they point to Mr lations with Israel Arafat's refusal to provide a clear answer to the demands of King other members of the European Hussein and President Mobarak of Community could help to facilitate Egypt that he should renounce terrorist acts and accept United Nases as an umbrella for the peace tions resolutions 242 and 338, which guarantee Israel's right to exist.

Israeli officials want King Hus-sein to find Palestinian negotiators among those living under occupation in the West Bank and Gaza. ready to participate in an interna-They claim there is a substantial tional forum if the right formula the negotiating table would be en- dangers to King Hussein if he en-

form of international framework states.

Sir Geoffrey Howe, the British Foreign Secretary, told Mr Peres on Wednesday that Britain would be body of support for the King in the could be found. But there are also territories and that moves towards strong fears in Whitehall about the

astically welcomed in the West ters negotiations with Israel without any form of PLO co-operation ft is also accepted by Mr Peres and in direct opposition to the that King Hussein requires some wishes of Syria and other Arab

derstood to have taken up a large ish Prime Minister, said last night tral Bank from political pressures part of the Israeli Prime Minister's that she hoped to visit Israel in the Israeli Prime Minister's summer to continue the talks she has held this week with Mr Peres.

Continued from Page 1

necticut

lower terms from rival exporters, led by France, Mr John Lang, direc-tor of trade finance at the US Treasury, said yesterday.

Mr Lang was in Paris for talks among the main industrialised countries over the use of mixed credits" in trade financing. He said fourth quarter.

time was running out to secure an This week's meetings at the OECD of trade officials made no progress on the issue of mixed credits. This was because the EEC failed to agree to meet a US request to raise the minimum-aid element in mixed credits to 50 per cent from 25 per cent to make them commer-

cially prohibitive.

The issue of mixed credits is the practice under which governments tie together grants and export loan to cheapen financing on export bids to the Third World.

The \$300m war chest progr was announced by President Ron-ald Reagan in September. This rep-resented a bid to match cheap mixed-credit packages put together particularly by France to back French companies in competition with the US on world markets.

ITT digital switch

on 20 other projects at its advanced technology centre in Sheldon Con-

Florida, a subsidiary of United Telecommunications, late last year that it would not now be able to meet the delivery schedule which called for installation in the 1986

The group said delivery could be delayed by a year although it added the delay "might be less or more" depending on United Telephone's selecting another site for installa-tion. ITT, which has spent an estimated \$300m including \$105m last year alone, attempting to adapt the System 12 technology and software for the US market, cited "delays in development" as the reason for the installation postponement.

System 12 is highly rated in terms of its modular technology which was mostly developed in ITT's European subsidiaries. Ac-cording to ITT, about 75 per cent of the technology is directly transfer-able to the US. Industry experts believe, however, that the key prob-lem is adapting the complex software which makes the compu-ter switch work.

cess in selling System 12 in Europe and elsewhere into a strong competitive position in the US. Last though the group insists that it is year ITT attempted to accelerate "catching up" on delivery schedules conversion of System 12 to US stan-overseas and fiercely denies rudards by abandoning research work mours that it has lost any orders be-

cause of shipment delays.

Some Wall Street analysis benecticut.

However, ITT said yesterday that tually be forced to choose between it had told United Telephone of meeting production targets in Europe and elsewhere - and the lure of competing in the US digital switch market. ITT has given no indication that it is prepared to abandon its US development and mar-keting efforts. The company, howment and marever, has subtly changed the terms in which it refers to the US market which it now terms "an opportunity" rather than a key test for

> The implications of the delay announced yesterday stretch far be-yond that order. ITT has sought to "short circuit" the complex Bell tele-phone system evaluation process by persuading Bellsouth to install a System 12 switch on test late this

year or early in 1987. That test is crucial in ITT's attempts to sell the switch to the local Bell telephone operating companies which will account for the bulk of orders over the next few years, ITT has long been expected to announce

uel Johnson, described in the bearings by Senator William Proxmire as one of the architects of President form of international framework states. Reagan's economic policies; argued for the negotiations and that is un Mrs Margaret Thatcher, the Britten independence of the Cenpromoting economic stability in the

Both men are expected to be confirmed, bringing to four the number of members of the Fed board who have been appointed by President Reagan. There has been specula tion that that shift may make it more difficult for Fed Chairman Mr Paul Volcker to dominate the central bank board's proceedings.

But it is pointed out too that so far as key monetary policy decisions are concerned, those are arrived at in the Federal Open Market Committee, the 12 members of which include (on a rotating basis) five presidents from the II regional Federal Reserve banks. Over the past two years, a number of new appointments to the top jobs in regional Fed banks have been filled by individuals widely seen as sym-pathetic to Mr Volcker's views on many issues.

Dr Angell, who has been backed heavily by the Republican Senate majority leader Mr Robert Dole, is a 55-year-old economist, but a man who has spent his life farming in Kansas, where since 1972 and 1975 he has also been president and chairman respectively of two small regional banks.

Describing himself "a Fed koyal-ist" and a "hard money populist," Dr Angell, who also served as a director of the Kansas City Fed, placed heavy emphasis on the need to achieve price stability. "I do not believe the answer to the farmers' problem is in re-inflating," he said. Dr Johnson, a 36-year-old econo

mist who is currently assistant Treasury Secretary for Economic its first commercial Bell system effort. ITT itself said yesterday that the delay will not affect its efforts to win a Bell system order

Teasury Secretary for Recommercial February for Recommercial feel system efforts and provided the first secretary for Recommercial feel system efforts. Policy, is expected to fill a full 14-year term as a Fed governor, whereas Dr Angell is completing a term that expires in January 1994.

ITC set for talks with creditors

BY STEPHAN WAGSTYL IN LONDON

THE INTERNATIONAL Tin Count they are still deeply divided on poscil (ITC) looks ready to start nego-tiating with its creditors for a settle-to be seen whether they can reach ment to the three-month-old tin

The three countries of the 22nation council that had been most opposed to negotiation - West Gercil proposals would fall far short of many, France and the Netherlands the creditors' demand so a settle-- yesterday agreed that talks ment might still prove elusive.

The creditors latest rescue: naged a tin price-support pact, ran calls for setting up a new company short of money in October with to take over the ITCs assets and liabuge debts to banks and brokers on bilities, funded with £200m from the London Metal Exchange (LME), governments, £50m from brokers the world's leading metals market and £20m from banks.

While the members of the ITC

now agree in principle to negotiate, the UK - said that even £100m from

common ground when the council resumes its emergency meeting

The creditors' latest rescue plan

Yesterday the EEC - excluding

governments would be too high. An independent Dutch proposal suged only a £30m contribution from consuming countries (which make up half the council). The UK, which has a special interest in the LME, is under pressure to put up more cash than just its ITC contribution. Delegates also want brokers, and especially banks, to concede more.

The creditors' patience is, mean while, running out. The LME au-thorities meet today to discuss whether to re open the tin market which has been suspended since October 24.

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